



# The Carrier's Journey into Business and the Enterprise

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# Going Deeper with Business Customers

.....from dial-tone, WAN, access products.....to outsourcing/solutions:  
**Network functions, SI, IT services, hosted apps, biz processes, full IT outsourcing**

## CARRIER'S PERSPECTIVE

- **Superior growth / Margins & large business Already**
- **Leverage/Protect existing customer base**
- **Meet competitive pressures > others seek to marginalize basic connectivity**
- **Leverage existing IT skills**

## USER PERSPECTIVE

- **Outsource technical complexity/management of networking/apps/processes**
- **Understanding of benefits of services “in SP the cloud” growing**
- **Focus on IT for business gain not just efficiency, IT managers moving away from ops to management**

## NEW MARKET DYNAMIC

- **Carriers redefining their view of the business customer**
- **New competitive environments - convergence/ collision of business models**
- **New skills > partner eco-systems > vendor eco-systems**
- **New thinking around sales, who is the client**

# The IT Services Value Chain

## The “Builders”

**Business Solution Aggregator**

Vertical Expertise

Business  
Strategy

Solution  
Architect

Business  
Process

Process  
Architect

Business  
Applications

Application  
Integrator

Infrastructure

Infrastructure  
Provider

**Business Services Value Chain**

The “Blue Print”

.....  
The “Frameworks”

.....  
The “Appliances”

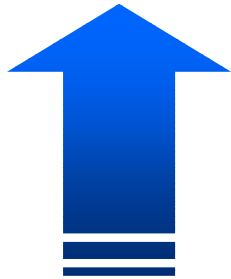
.....  
The “Foundation”

# How High Can a Carrier Go?

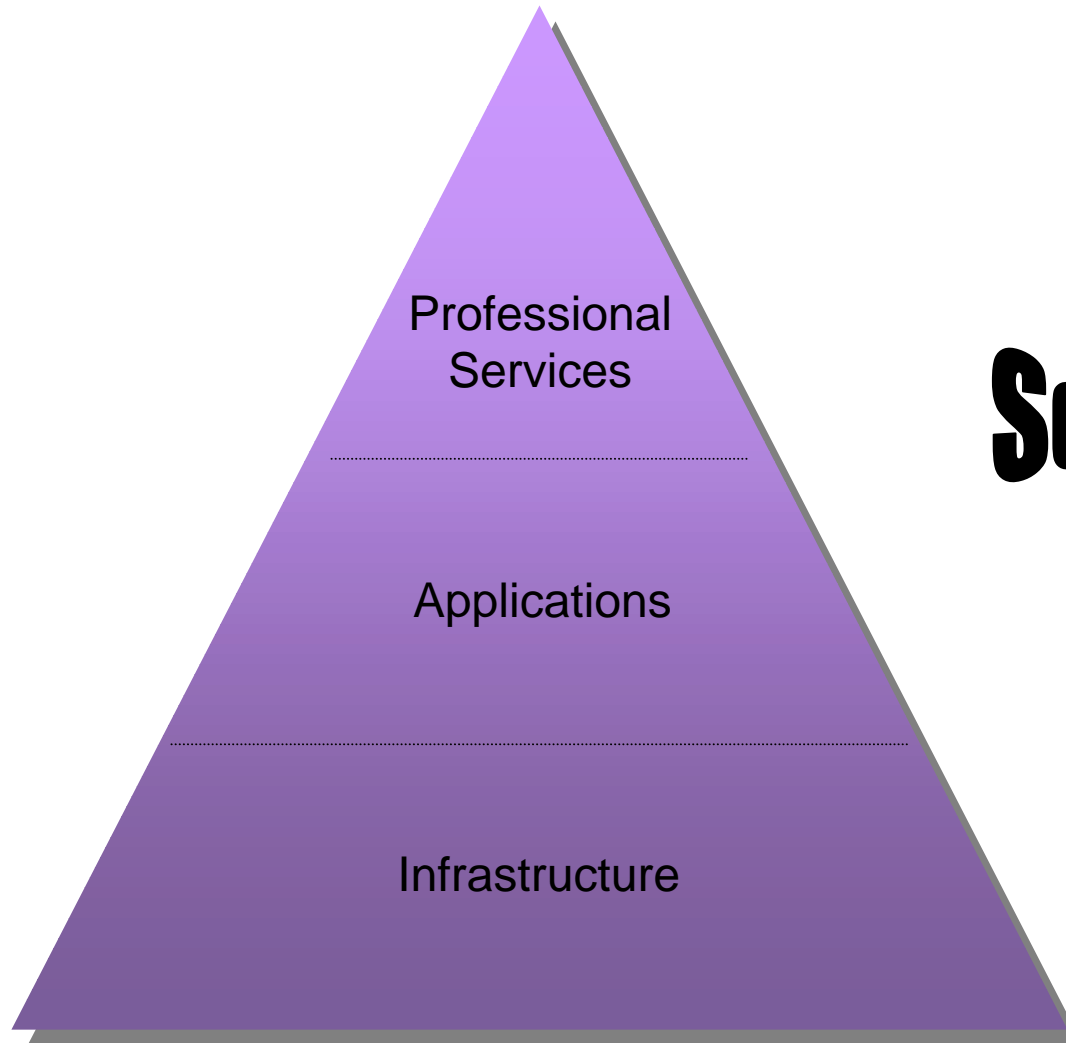
- need to pick the spots carefully, leverage network

## Up the Value Chain

Customized  
High Yield



Utility  
Low Margin



Opex  
Intensive

# Squeezed

Capex  
Intensive

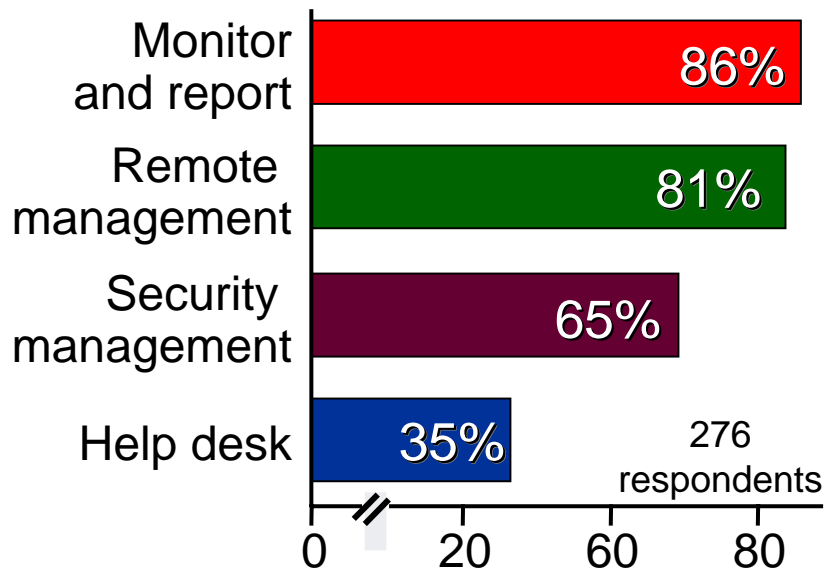


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# Infrastructure: Management is an Increasingly Important Tool for Enterprises

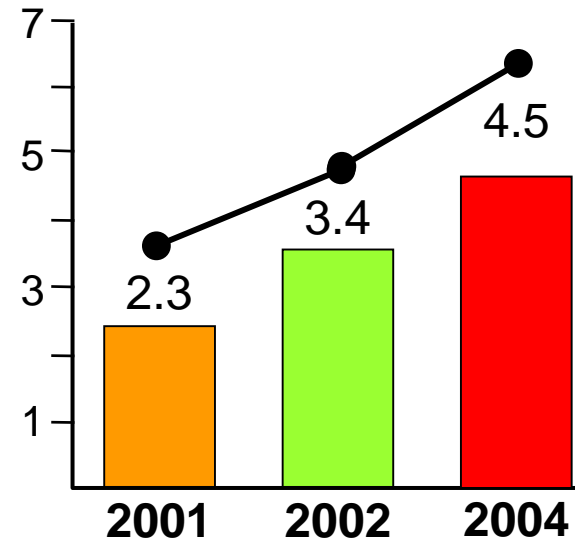
- In a recent Gartner study, more than half of the respondents that sourced network operations used managed services as part of their network sourcing strategy
- Trend analysis also shows that managed-service offerings are becoming more important to the overall IT sourcing approach

## The Three Most-important Services Used As Part of Network Sourcing Strategy



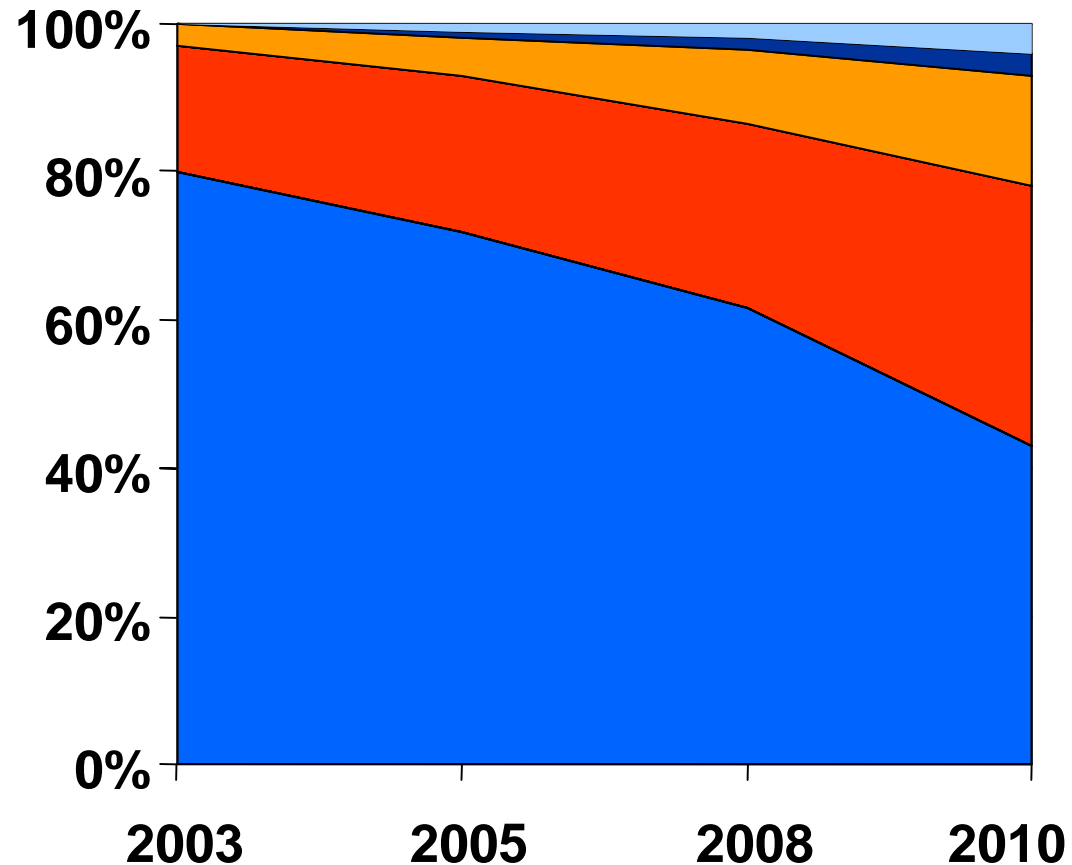
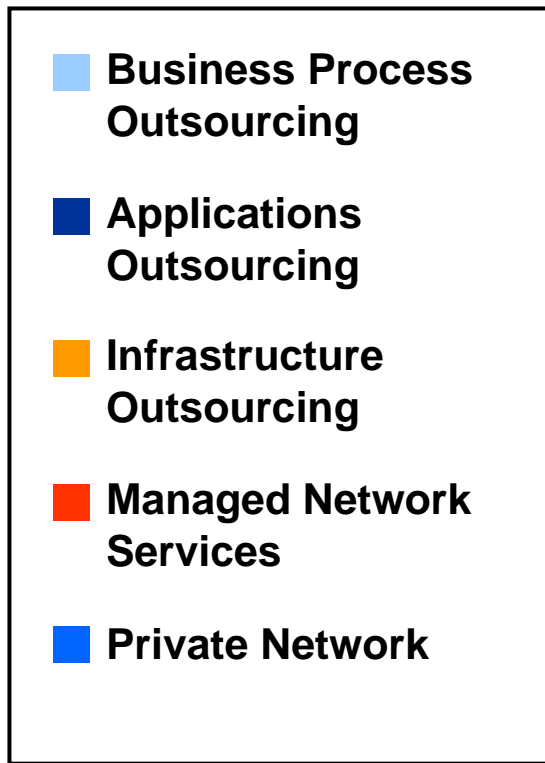
## Importance of Monitoring and Management Services in the Overall IT Sourcing Strategy

1 = no importance    7 = extremely important

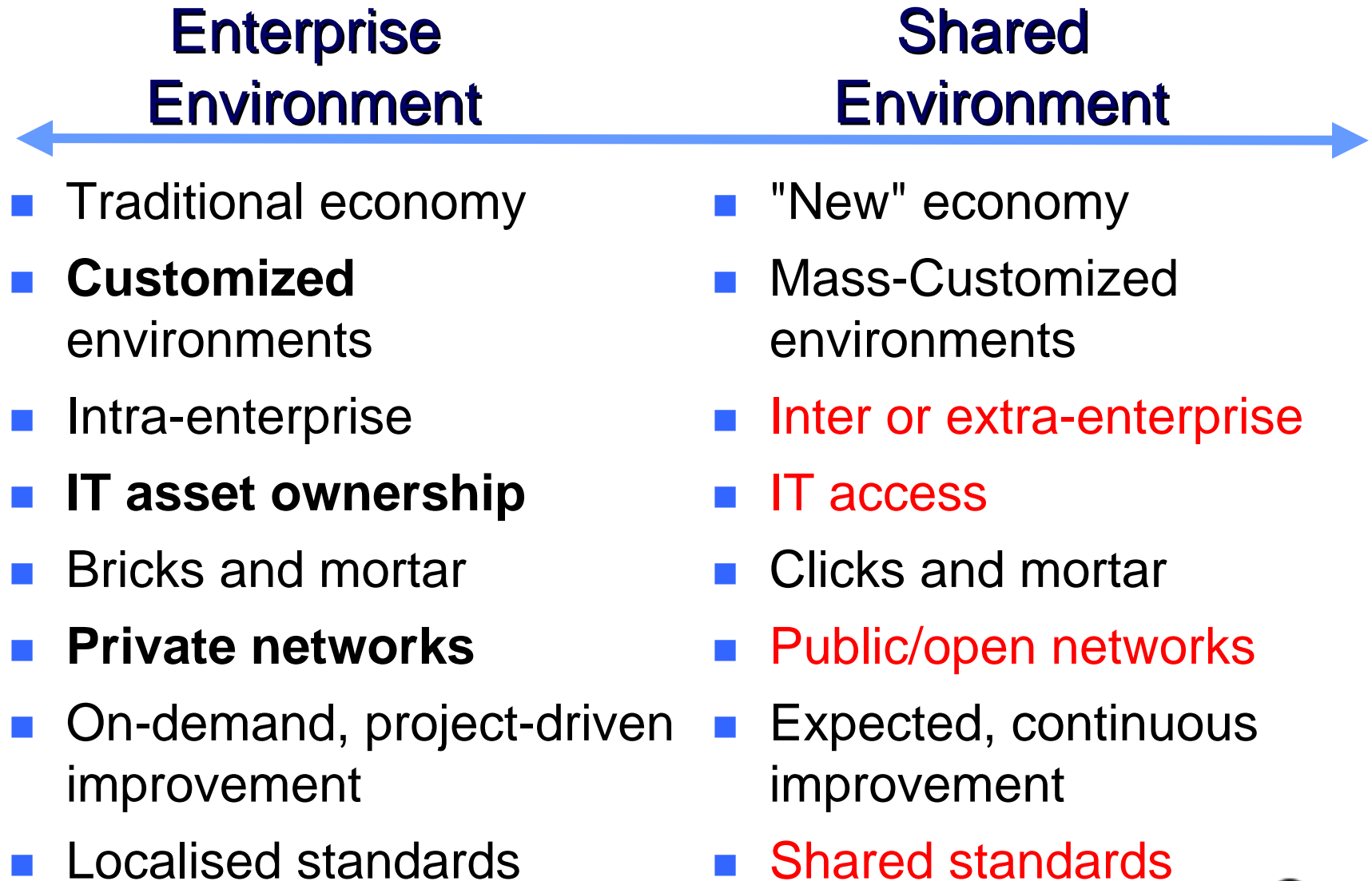


# Infrastructure: How Will Enterprises Source Networks?

## Data Network Spending Sourced Via Various Channels: (> Networks Increasingly Bundled With Other Services)



# Applications: The IT Services Delivery Spectrum



# The IT Services Value Spectrum

## Business Outcome

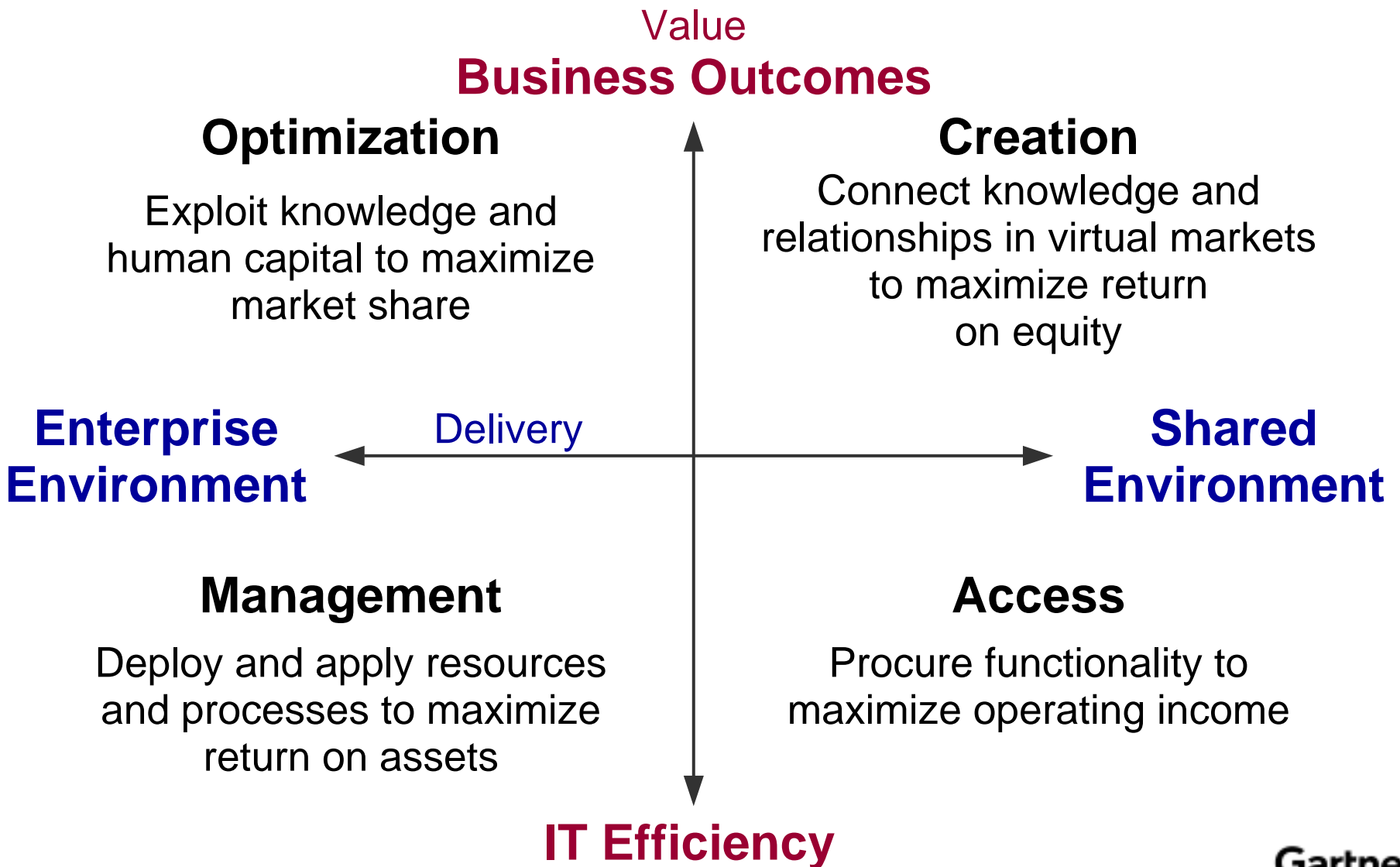


- Business effectiveness
- Brand dominance
- Revenue enhancement
- Power
- Externally focused

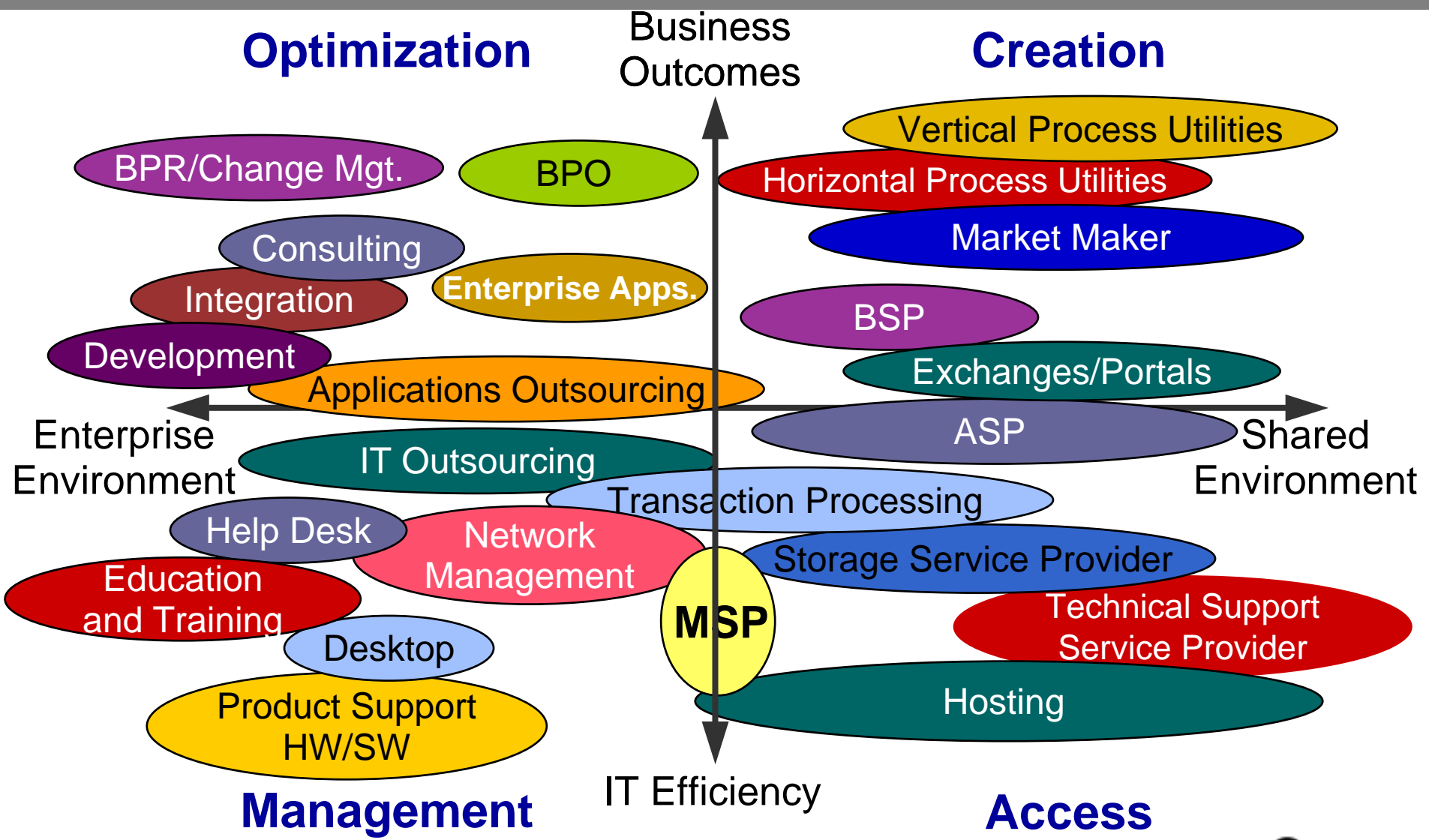
- Infrastructure efficiency
- Process, time to market
- Cost-efficiency
- Quality
- Internally focused

## IT Efficiency

# The Changing Face of the IT Services Market

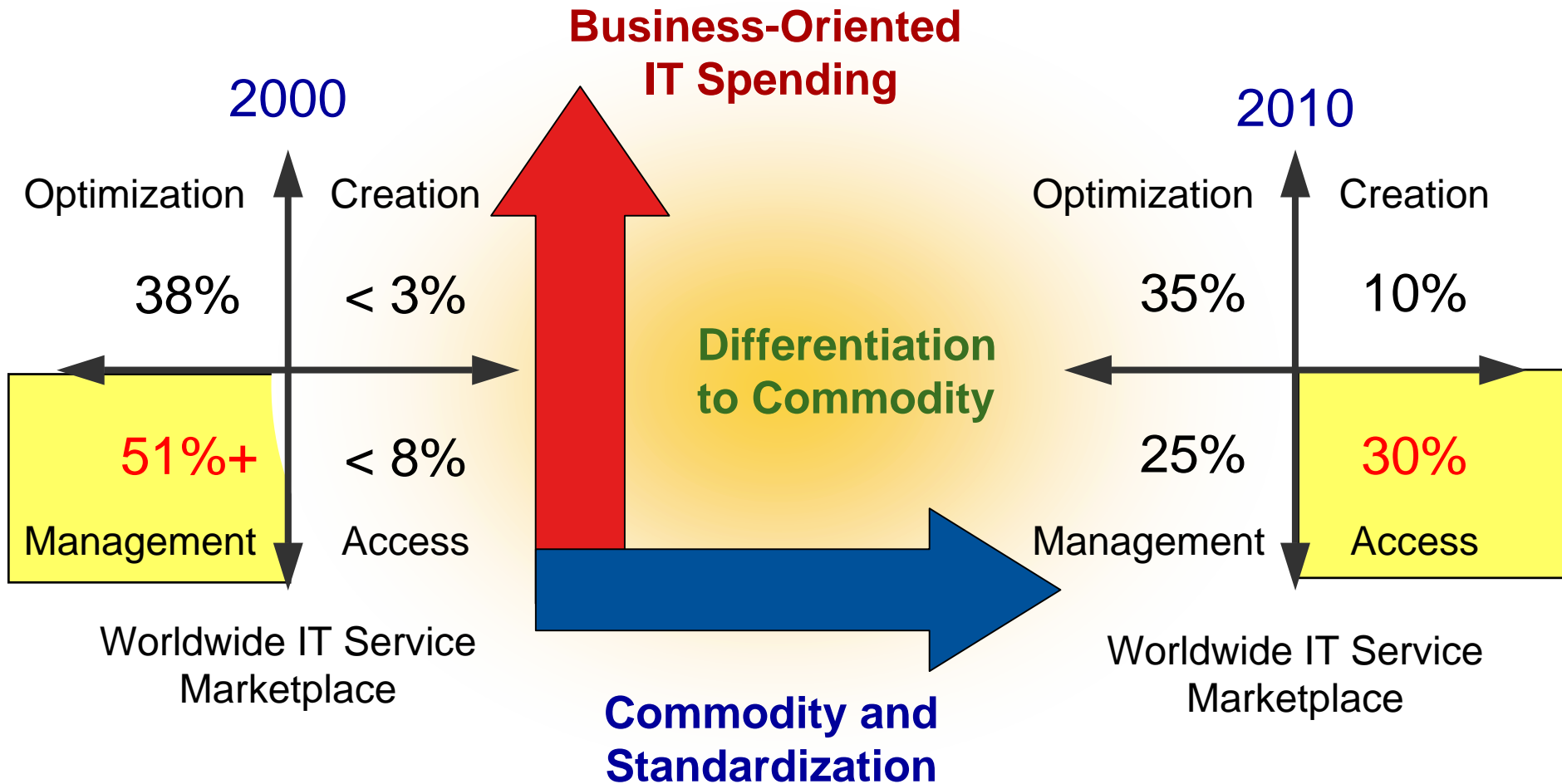


# The Emerging Competitive Landscape

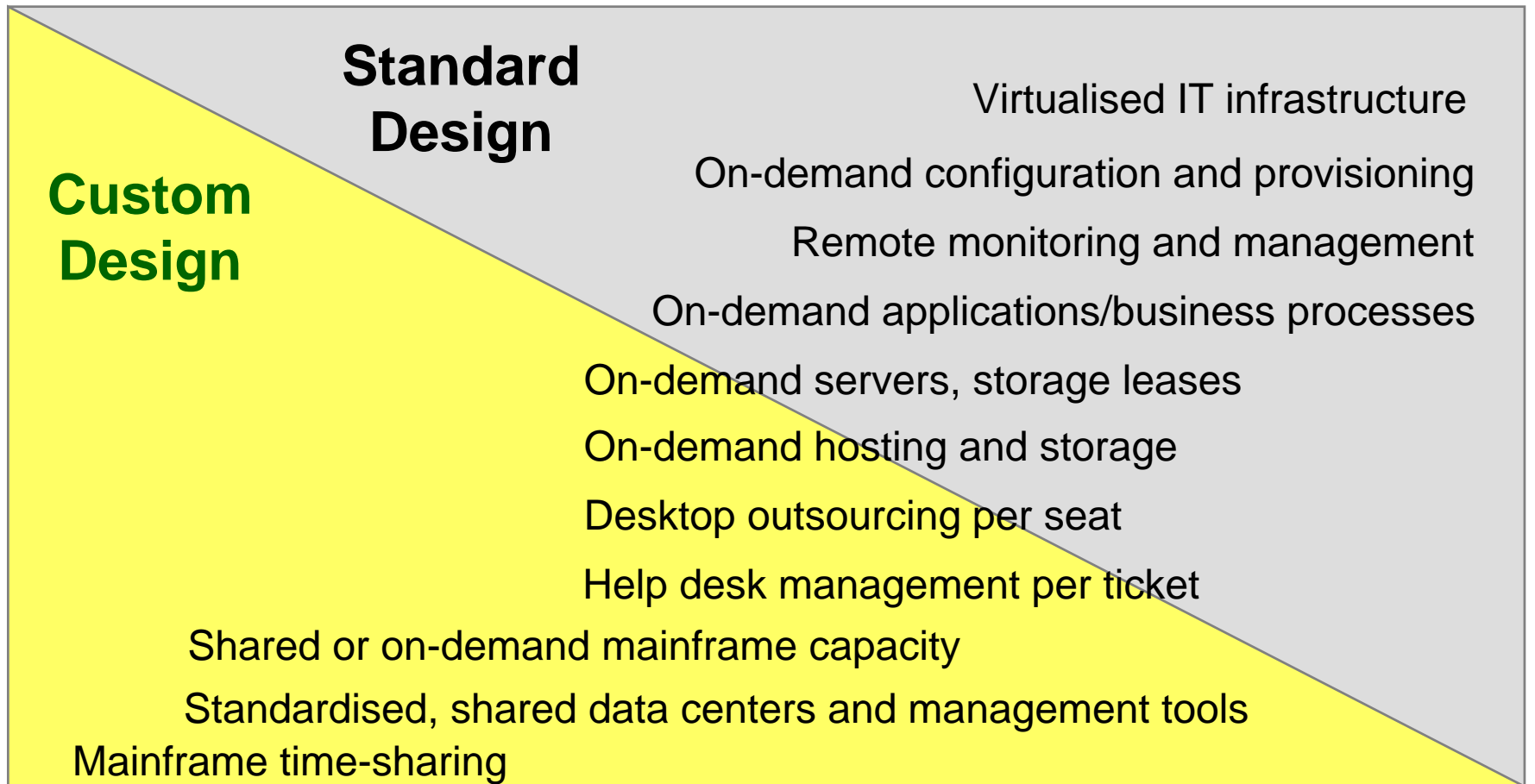


# Where is the IT Services Market Going?

Answer: towards utility - in the carrier's favour!

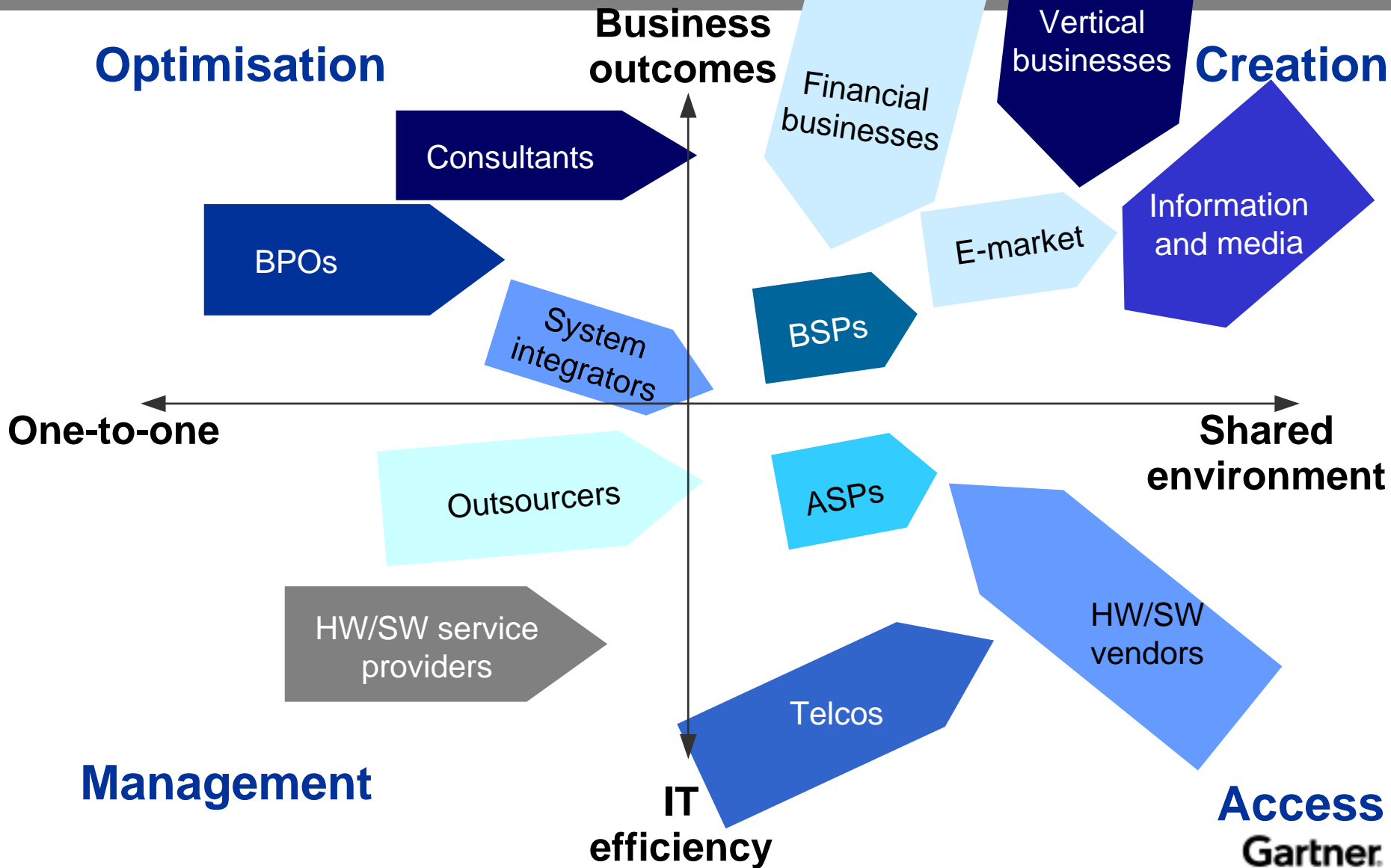


# Evolution of IT Utility Services



1960s 1970s 1980s 1990s **Present** Next 5-10 Years

# Technical Convergence ... Business Collisions



# Emerging Competitive Threats?

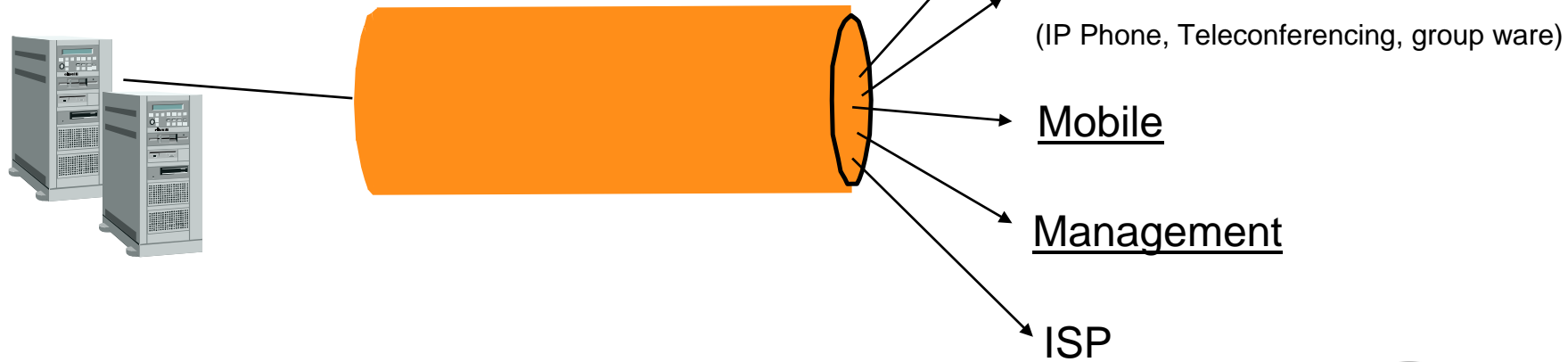
## On-demand, Converged IT and Communications Services

(Launched Japan April 2004)

Fujitsu's FENICS-AS service

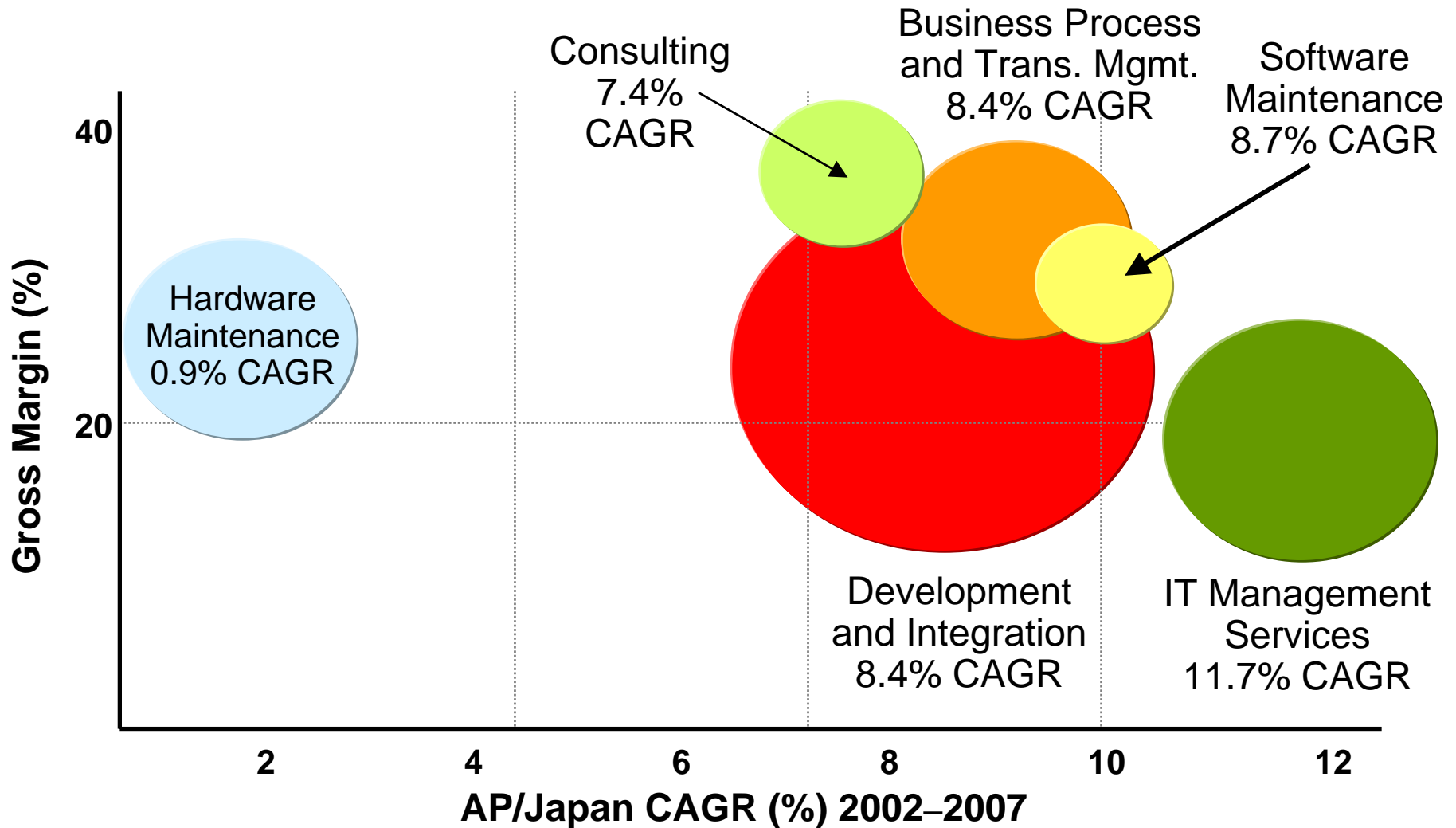
IT services vendor

- Applications modularized
- Pre-configured into the network, but info needed in advance
- Purchased by web-based function button
- Uses its own network



# IT Services Future Prospects

- but what are the addressable segments?



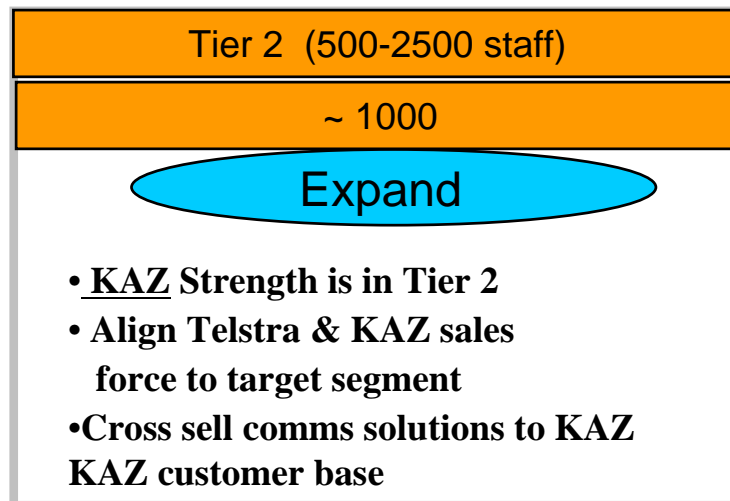
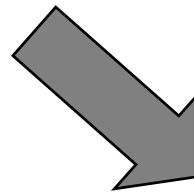
# The Partnership Model will grow in Importance

- Build eco-system of complementary partners
- Win-win ideology, not zero-sum
- Tactical -- not “exclusive” partnerships
- Know your value in value chain & get superior relationships with partners in value chain
- Lead high-value or strategic accounts (if your partners permit)
- Invest in industry, vertical expertise
- Excel in partner, project and customer management
- Strike balance between co-operation vs competition

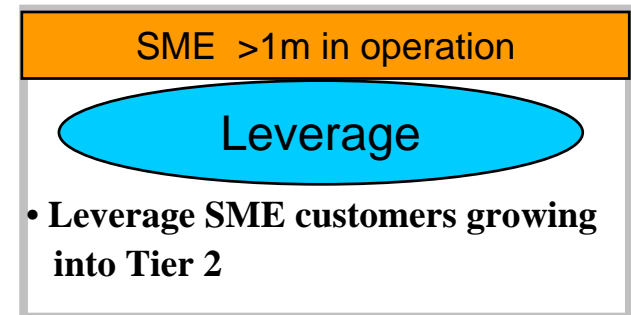
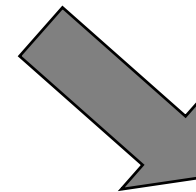
# Telstra's Strategy: Full Service Provider



Capture growing  
Tier 2 customers



Capture growing  
SME customers to Tier 2



(Source: Telstra Oct 2004)

# Carriers: Strength / Weakness

## Strengths

- ⊠ Well-known and trusted brand names, esp incumbents
- ⊠ Geographic coverage
- ⊠ Infrastructure ownership
- ⊠ Service marketing experience (quite a few IT ESPs are relatively weak on marketing)
- ⊠ Service management disciplines
- ⊠ Financially strength
- ⊠ Culture is data-driven and research-driven decision-making vs. much less rigorous approach for many firms with an IT background.

## Weaknesses

- ⊠ Not recognized as IT ESPs
- ⊠ Legacy Baggage in some cases
- ⊠ Can be large organizations with slow decision-making processes
- ⊠ (especially for large carriers) customers love to hate them

# Carriers need to lay IT Foundations for Multiple Services

Growing Size  
and complexity

## Challenges:

- Real Time
- Delivered Across multiple networks
- Delivered across third party elements

Fixed/Mobile Integ. Apps.

Communities Billing

Managed Security

SLA Management & Monitoring - report, enforce and compensate

Client Portals - visibility to provisioning

Minute & Bit Billing

Fixed Fee Billing

Subscribers - CRM - Asset Management

2000

2010

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# Recommendations

- ⊗ Carriers are best position for success when leveraging existing skills related to network / utility
  
- ⊗ Carriers need to build on existing brand and trust in comms
  - Project that into new areas
  - Early mistakes/failure will cause great damage
  
- ⊗ Finding, managing and working with partners -- key competency



Thank You - The End

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