

## Debunking the top three telco industry myths

by Vinod Kumar, President and COO, Tata Communications

Although growing demand for telecommunication services creates many opportunities for telcos, the sector continues to experience the pressures of price erosion, disruptive technologies and soaring capital expenditures. Many telephone companies (telcos) believe that ‘managed services’ will resolve every problem, that the Next-Gen label makes everything good and that they need better ways to trump the competition. Nevertheless, managed services cannot cure all, demand for Next-Gen services may not generate an adequate ROI and cooperating with competitors often brings better returns than fighting them.



*Vinod Kumar is President and Chief Operating Officer for Tata Communications, part of the Tata Group. Mr Kumar is responsible for expanding Tata Communications’ roadmap and charter in the global communications market and leads the company’s efforts in service creation, marketing and delivery. Mr Kumar is also President of Data and Mobility Services and Managing Director for Tata Communications International. He has a wide range of cross-functional experience in the telecommunications industry. Prior to joining Tata Communications, Mr Kumar held senior management positions in several telecommunications companies including Asia Netcom, WorldCom Japan and Global One.*

*Vinod Kumar graduated with honours in Electrical and Electronic Engineering from the Birla Institute of Technology and Science in India.*

*Jumping on the bandwagon is easy to do, but it’s often the gumption to defy conventional wisdom that pays off richly. Telcos may want to examine managed services, next-generation platforms and their competition under a new light.*

The growth in demand for telecommunication services in this digital age is more real than ever before. The Internet is transforming not only the way we run our businesses but also how we communicate and interact as individuals living in an increasingly interconnected society.

While this creates a barrage of opportunities for telcos, the industry

continues to experience the triple pressures of price erosion, disruptive technologies and capex (capital expenditure) intensity. Telcos the world over, without exception, are in a perennial process of changing their stripes to survive in this jungle - engaging almost anybody who has a panacea or an innovative shortcut to create a cutting edge offering or reduce their cost structure.

Too many telcos have been sold the idea that ‘managed services’ is the answer for every problem, that the Next-Gen label makes everything good, and that they need to find better ways to trump the competition. While there is an element of truth to each of these statements, it is

vital for these to be viewed, applied and implemented in the right context.

### Managed services is not a ‘cure all’

Contrary to a widely held view, managed services is not a guaranteed cure for all traditional telco ills. Everyone from telcos and system integrators to IT sourcers, hardware and software providers is aiming to add value to their existing offerings with a suite of managed services. What many of them don’t realize is that it’s an extraordinarily tough transition to make from their traditional business, and there’s plenty of competition waiting for them in the wings.

**“A reality of the new world is that no one can do it all. Both capital and talent are in short supply, thus the days of super-everything conglomerates or vertical integration have ended. As businesses reclaim their areas of strength, they also need to develop ecosystems of partnerships to meet market demand.”**

Additionally, customers are much more savvy today in buying managed services, many of which are standard and undifferentiated. Providing a differentiated value proposition to customers requires close synergies with existing services, a substantial commitment of both time and resources, and an open partnership approach with the right vendors to deliver meaningful value to the business.

Therefore, before telcos move into managed services, they need to do their sums carefully to assess if the chosen services align well with their existing services and support models. It is also essential that the adequate level of technology, operations, marketing and sales resources are available to see them through the transformation. Do not expect to easily repurpose an organization designed for network services into one that can support network and IT using managed services. It's also critical that they manage the expectations of all stakeholders around what could well be long timelines to ensure that support for this transition doesn't wane when things get rough.

**Challenges behind the Next-Gen hype**

People in the telecom industry attach the Next-Gen label to every other thing they talk about. In fact Next Gen is probably in its fourth or fifth guise, in just the past decade. The truth is that problems don't vanish the moment you call them Next-Gen. You need to put in some serious investments, and make some real changes to your solution offerings for them to truly stand up to their namesake.

Should an operator decide to take the leap into true next generation platforms, it needs to do thorough research in two areas.

First, they should ascertain if the market holds enough demand to pay back the investment made, and second, assess whether the rest of the systems, processes and go-to-market capabilities are equipped and ready to support the new Next Gen platforms or services.

Industry reports are not infallible indicators. Very often, timing and direct feedback from customers on elements such as whether they are ready for advanced features and if they have the budgets to pay for them, are more reliable gauges. Technology maturity and industry standards are also vital considerations.

Keep in mind that what gets your internal engineers excited may not always be the same things that get your buyers excited.

The newness of the technologies involved can also present an added layer of challenge. Stability is often an issue and standards can change with large players' efforts to pull the market in different directions. Betting on the 'wrong' technology can send your investment down the chute.

**Balancing competition and cooperation**

A reality of the new world is that no one can do it all. Both capital and talent are in short supply, and thus the days of super-everything conglomerates or vertical integration have ended. As businesses reclaim their areas of strength, they also need to develop ecosystems of partnerships to meet market demand.

No longer can we think in terms of value chains, upstream and downstream - we are moving towards networks of players, collaborating with each other, and usually, competing as well. In order to grow sustainable businesses in the new world, companies need to recognise their competitors' strengths and cooperate with them. Such adversary partnerships can be highly effective in expanding new markets and extracting value from them.

For example, wholesale and enterprise services can enjoy a symbiotic relationship. Working with other service providers can increase one's scale and reach at a lower per unit cost, putting an organisation in a better position to compete in the enterprise space. Working directly with enterprises, meanwhile, allows companies to better understand their needs and helps them create more

relevant services for businesses. These services can then be sold to service providers on a white label basis.

Evolving the stripes of a telco is no easy task. Yet for service providers to thrive in the new world of communications, they must reject industry hype, challenge long-established notions and explore new operating models. ●



**Connect-World is celebrating its 13<sup>th</sup> anniversary**

Through the years, *Connect-World's* authors told of the rise of mobile, of fibre, of wireless and of broadband; they told of the dot.com meltdown, of digital inclusion and convergence, of standards and breakthroughs, the rise of IP and the fall of switching and of the regulatory turnaround.

In every issue of *Connect-World* heads of state, ministers and regulators, heads of international institutions and leaders of industry speak of what the ICT revolution, as it happens, means to the people in their regions of the world.

[www.connect-world.com](http://www.connect-world.com)