

**Global Telecommunications Services:
Strategies coming head to head
on a rapidly growing market**

IDATE has just published the fifth edition of its core study on corporate global telecoms solutions. While this market is enjoying a steady rate of growth, the players involved are being forced to continually redefine their strategies and to seek new means for obtaining ROI in a sector that requires massive investments and operational costs.

Here are a few of the sector's recent, and particularly indicative, events:

- The unfettered approval given by both the European Commission and American authorities for the Equant-Global One merger. The New Co. (its temporary moniker) forecasts an Ebitda in the black in 3 or 4 years time; a particularly ambitious target given the \$600 million in losses posted by Global One for fiscal year 2000.
- Brussels's go-ahead on the merger coincided with KPN's announcement that it would be selling off its stake in Infonet. In addition to KPN, which was burdened by a debt totalling 20 billion Euros as well as being involved in rival operations via the KPNQwest joint venture, a number of Infonet's shareholders sought to liquidate their share in this last large multi-partner alliance. The company could well change hands completely, given the interest in a take over expressed by several backbone operators.
- A few weeks earlier, AT&T and BT made headlines with their Concert joint venture drama, complete with the American giant's unmitigated threats to pull out of the alliance should an agreement on the corporation's restructuring (including a majority share for AT&T) not be reached.

The competitive landscape of the telecoms services to multinationals' activity is rapidly being repainted, then, rife with rather tense undertones.

Which services to what end?

These international and multinational services are generally linked to the notion of global view. Global in terms of:

- Geographical coverage,
- The scope of the product range and the services they encompass,
- The breadth of the complex expertise that they involve,
- The regulatory diversity of the environment in which they operate,
- The variety of technical, commercial and financial partners that they comprise.

In fact, global services constitute a market unto itself; a market which is protected by highly dissuasive entry barriers and which is situated in a complex environment that is both technically and economically competitive.

Despite the high cost of admission, this market is growing steadily at a rate of around 20% a year. This growth derives from:

- The current economic dynamic,
- Corporations' natural tendency to seek global presence and to extend operations to include communities of partners composed of not only large but also small and medium size enterprises;
- The development of the web and e-business phenomena.

Given this context, then, the market represents a considerable strategic stake for several types of telecoms players, seeking new growth channels:

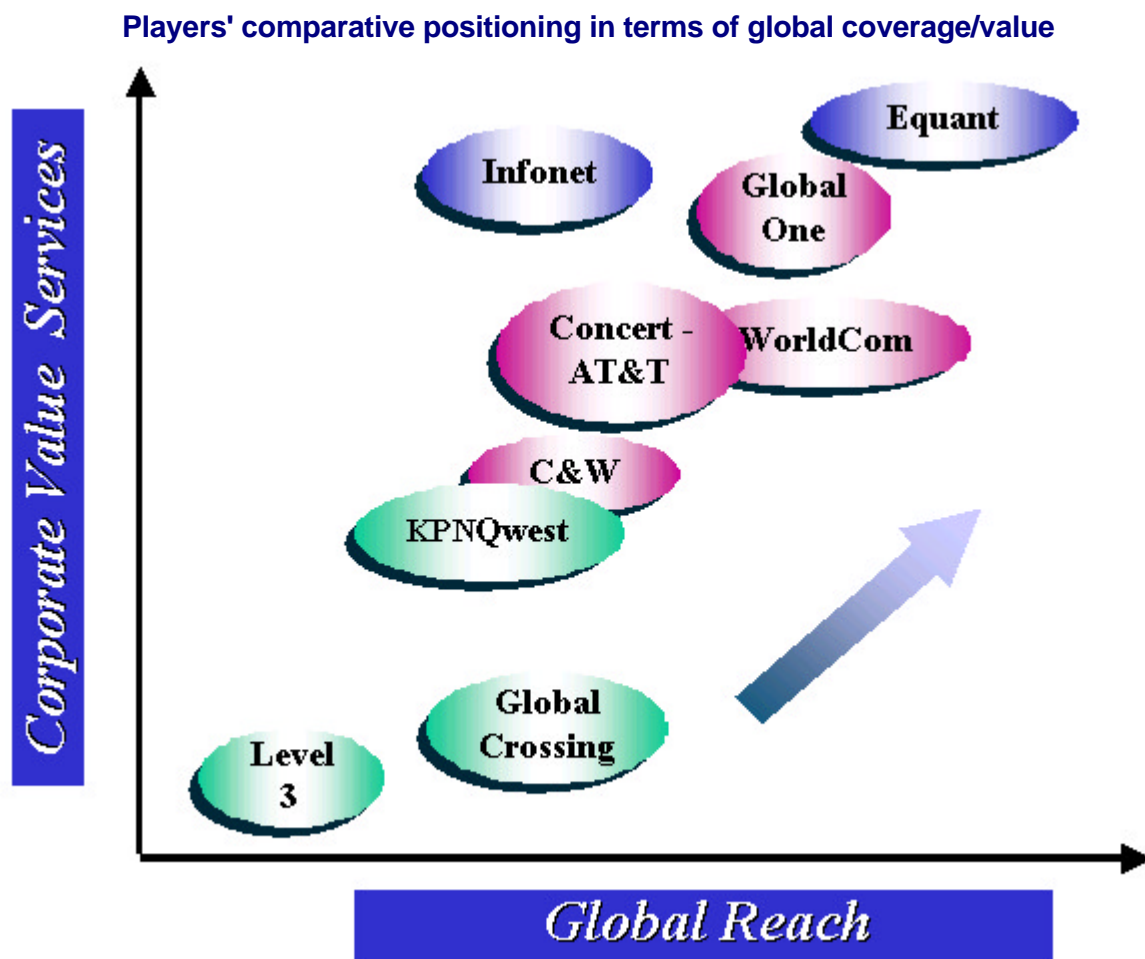
- Generalist operators wanting to boost their position on the world telecoms market;
- As well as certain transit operators who are looking to maximise the volumes travelling over their macro capacity networks. This, along with the increasing prevalence of IP traffic, constitute powerful magnets to this market providing high margin value added services.

Lastly, there are those operators or alliances of operators specialising in global solutions for multinationals who are keeping a keen watch over the natural evolution of these services on the value chain, focusing on the web and hosting the managed applications destined to transit over their networks. A global response to their customers' new requirements is leading them to capitalise on their mastery of complex solutions on a world-wide scale, and to develop creative integration and outsourcing solutions that generate high value added.

Generally speaking, the global telecoms services market is now characterised by a phase of player consolidation and by a questioning of the viability of large alliances. In spite of their market potential, these alliances are either coming up against, or succumbing to, the problems tied to difficult synergy and integration in terms of convergence of services and technologies, market globalisation and the increasing ferocity of competition.

Schematically, three types of player can be distinguished:

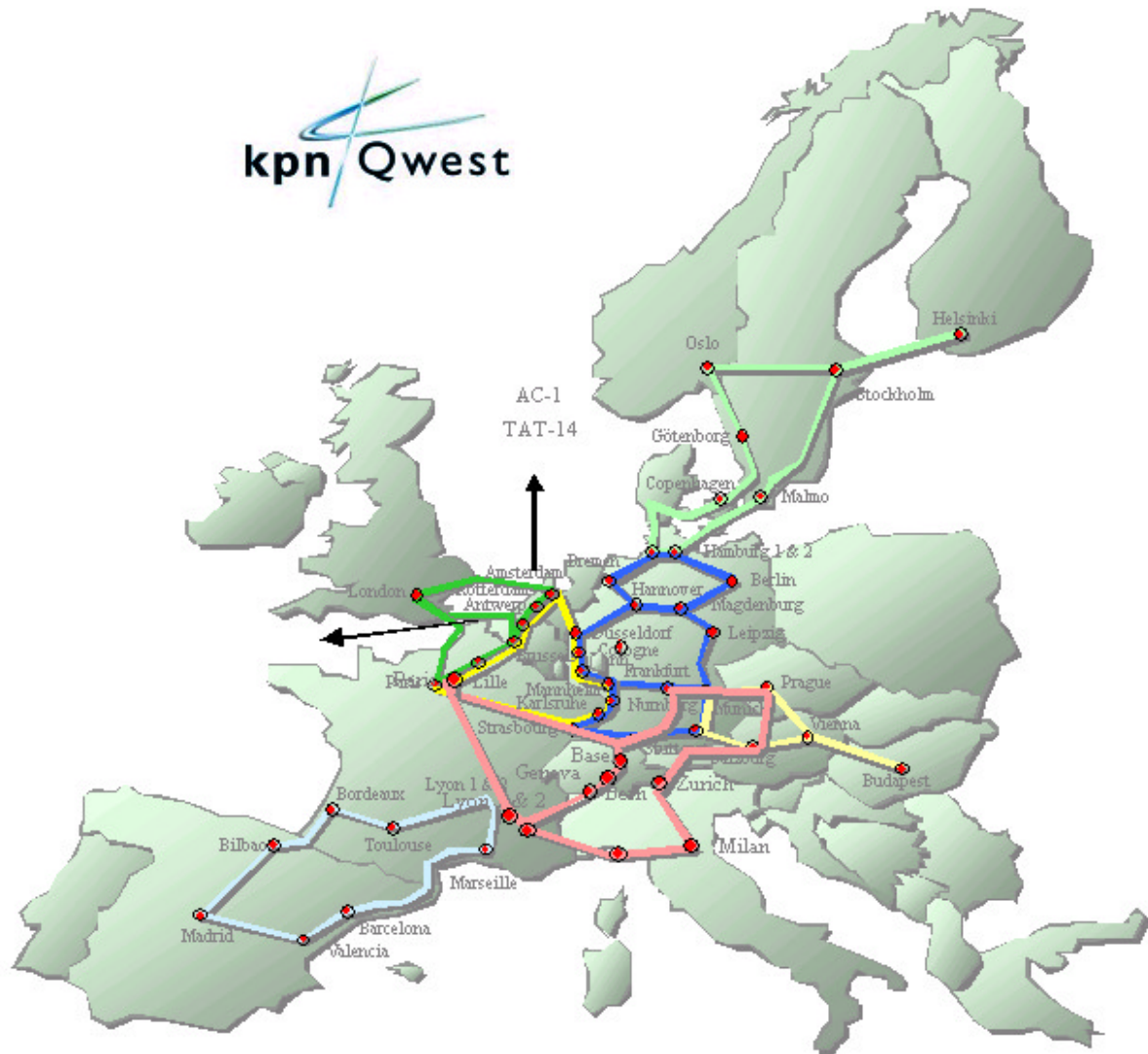
- **traditional or incumbent players:** generalist operators enjoying a strong position on their home market and who are seeking world-wide presence. Such is the case of France Telecom with Global One, of WorldCom, Concert and Cable & Wireless;
- **ultra-specialists:** organisations that were created to respond to the needs of a specific target clientele or to provide international solutions to an existing domestic customer base. Such is the case of Equant and Infonet;
- **new entrants:** operators from the carriers' carrier market seeking to optimise their capacity and to generate additional revenues, such as KPNQwest, Global Crossing, GTS-Ebone and, to a lesser extent, Level (3).



Source: Global Telecoms services – 2001 edition

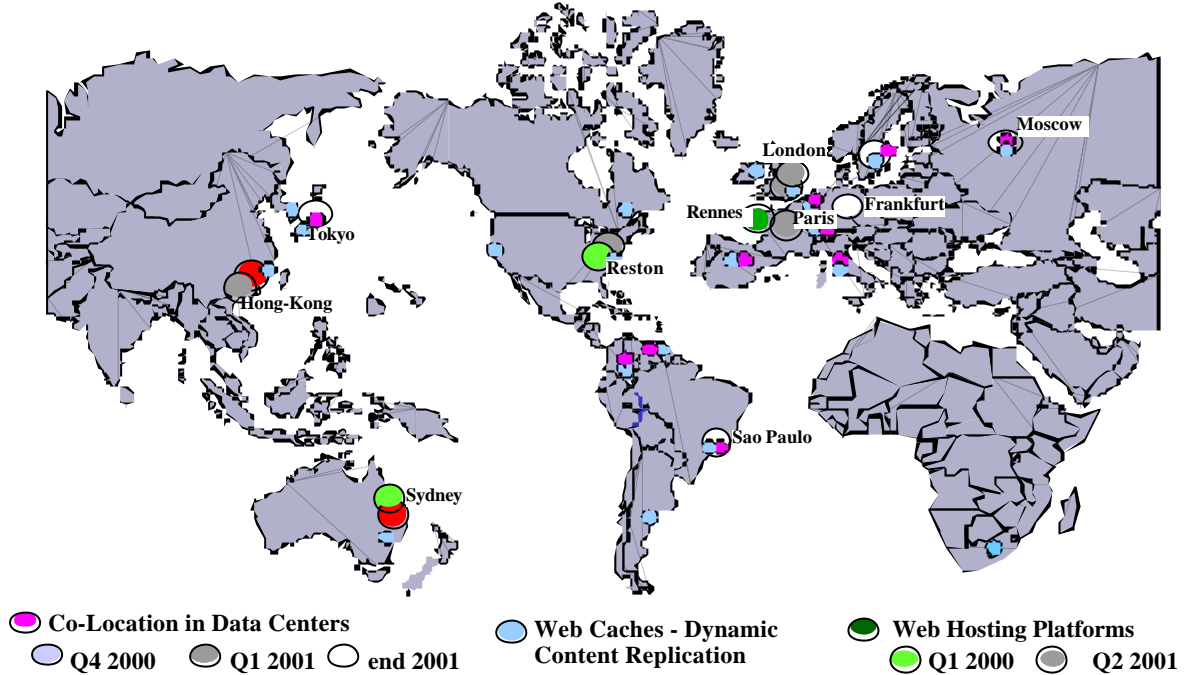
Operator networks in the US and in Western Europe are becoming increasingly dense, and now gradually extended into South America and the Asia-Pacific region. In addition to greater backbone capacity, operators are also deploying hosting/housing centres in the world's major business centres.

KPNQwest's pan-European network



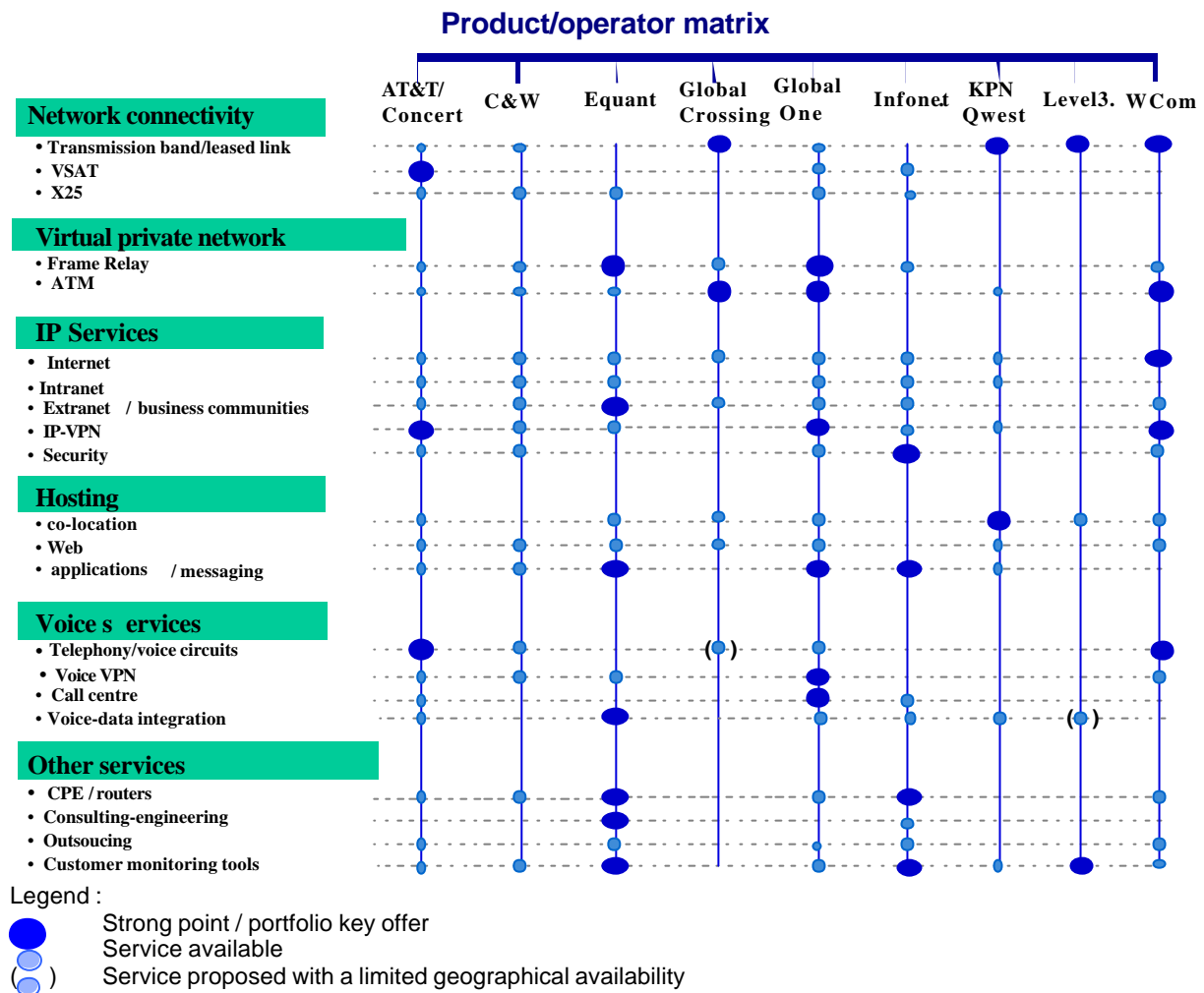
Source: Global Telecoms Services — 2001 edition

Location of Global One's hosting/housing centres



Source: Global Telecoms Services — 2001 edition

The market is growing steadily. The international network solutions being offered by the various players are now more mature and are rendering the migration to broadband more concrete. As for multinationals, they are making increasing use of outsourcing and are beginning to deploy veritable e-business strategies. Overall, then, the portfolios of products designed to respond to multinationals' needs have evolved considerably.



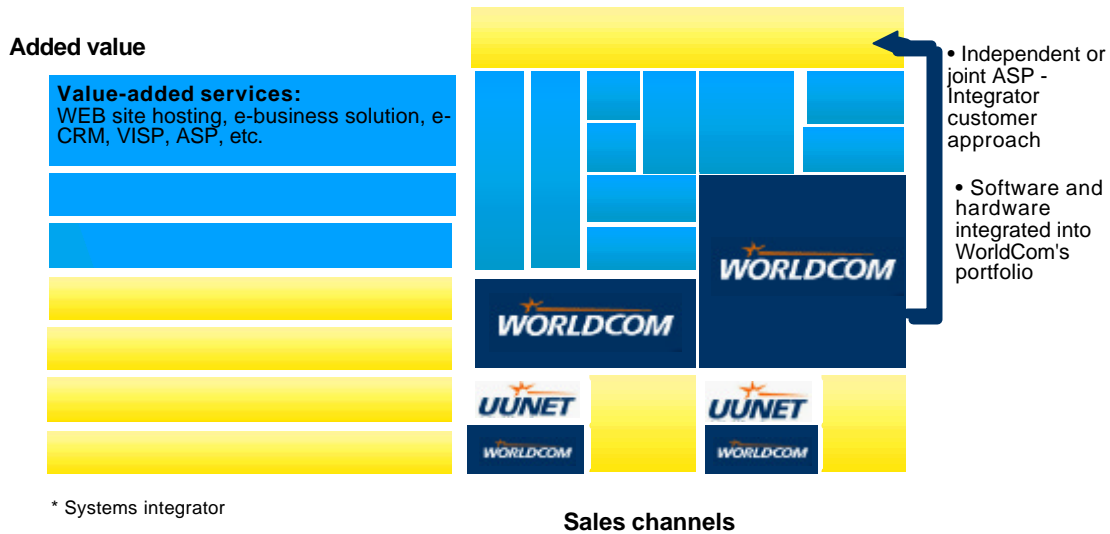
Source: Global Telecoms Services — 2001 edition

Traditional On-net and Off-net telephony offers are now benefiting from intelligent network functionality, and are being gradually enriched with new services which have been customised for international call centre platforms. Classic network interconnection and data transmission solutions are losing ground to fully operator managed VPNs, supported by Frame Relay, ATM and/or IP which are capable of allocating queuing priorities to critical data streams, adapted to each application's specific needs. Business communities are at last being provided with Extranet solutions tailored to suit their sector's unique requirements.

Quality of service has become a top priority for all providers, all of whom have dedicated themselves to developing service monitoring and advanced administration tools.

Massive efforts have been deployed to develop this market that seeks to provide complex, integrated and high value added services which enjoy healthy margins.

WorldCom's positioning and search for value



Source: Global Telecoms Services — 2001 edition

Marc COCHAUX – Marketing and Strategies Department, IDATE
 eMail: m.cochaux@idate.fr

* * *

For more information, and for the complete report,

Contact Norbert JASTROCH
 ME Telekommunikationsberatung
 Postfach 1306
 D-61364 Friedrichsdorf, Germany

phone: +49 - (0)61 75 - 93 69 43
 eMail: norbert.jastroch@metconsult.de
 Internet: www.metconsult.de