

TELECOMMUNICATIONS

# Communications outsourcing – telcos bite back



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Recently there has been an increasing trend for telco providers to be awarded contracts to outsource not just their traditional services, but also managed services, an area which is usually the domain of IT service providers. But how can this all-in-one telco-IT package be defined and is it a credible alternative to ITO?

In outsourcing if you take the following criteria, 'network, communications, and telecommunications', you'll find a variety of definitions. In Gartner's 2011 Magic Quadrant it refers to Communications Outsourcing (and Professional Services) as 'supporting, operating and managing business communication- a robust, integrated unified communications portfolios'. Capgemini define network outsourcing as 'the transfer of an operator's network-related functions to an external party'. Xerox refers to communications outsourcing as 'multi-channel communications that help companies acquire new customers, welcome and on-board those customers, service them and cultivate their loyalty' and Avaya call telecommunications outsourcing solutions 'custom-designed managed services that meet specific, unique needs of individual enterprises'.

Although this is a somewhat murky area in terms of definition, there is a growing trend for what were once traditional telco suppliers, such as BT, Virgin and Cable & Wireless supplying the whole communications package and thus becoming arguably the most complete IT providers.

Formerly, an end user would require two distinct set of services, one for communications and another to manage

the IT. But now advancements such as the advent of VOIP, the commoditisation of hardware (especially end users kit) coupled with inexpensive applications in the cloud means that the future is one of simple low cost terminals communicating with an extensive and complex but industrialised (therefore cheap per use) centre.

Theoretically user terminals can be plentiful and cheap, connecting to the cloud is straightforward so the investment in this new horizon will be the networks, where the telco companies have done all that initial investment in infrastructure. Add to this that they are pretty good at running data centres, even offering cloud services themselves, there's every chance that the traditional ITOs will come under threat from telcos in a marketplace that has been traditionally theirs.

"Perhaps it is no longer their knowledge of hardware that dictates suppliers", says Martyn Hart, NOA Chairman. "It's software, data centres and networks that add the real value, all of which telcos already deliver."

Integrated communications also means that telco companies, who may have initially been struggling with the rapid rise of ITOs, have managed to reposition themselves. BT Global Services underwent a transformation plan to reposition itself by offering up integrated communications, and by 2011 claimed to be one of the UK's leading suppliers of networked IT services for public and corporate sector customers. One of their recent deals, to supply the European Parliament with networked IT services, including the supply of equipment and applications, was worth over £150m.

In one of the largest deals in 2011, Verizon invested £1.4bn in IT services company Terremark Worldwide in a drive to catch up with rival AT&T's cloud services. Verizon and other telcos are differentiating themselves from other cloud providers by offering to manage both cloud services and telecommunications for business clients, as part of a high-availability package.

Over the last year there have been a host of major contracts won by telcos to host an end user's complete communications requirements. Leading air transport communications specialists SITA will provide BAA with all telecom functions as part of Capgemini's consortium improving information sharing across airports in a deal worth £120m.

The UK government signed a two-year framework contract with Virgin Media Business, Global Crossing and Siemens Enterprise Communications for the provision of telecoms services to the public sector. The contract is worth up to £500m.

So it looks like telcos will continue to be increasingly attractive alternatives for businesses looking for added value and high availability services, and it seems that 2012 promises to be an interesting year in communications outsourcing; especially for telcos.