

TELECOMMUNICATIONS

In an outsourcing world where every decision now more than ever screams 'cost is key', **Andrew Cooper** discovers that although changes are afoot, the telecoms arena is still considerably robust.

Checking the outsourcing pulse

In a world where every decision now more than ever screams 'cost is key', is the on-going economic turbulence affecting telecommunications companies (telcos) as much as other vertical sectors in terms of outsourcing?

As the continued gloom of uncertainty stultifies some industries and their plans for growth, outsourcing for a good deal of telcos – as both suppliers and end users – is currently thriving.

According to Ovum, telcos looking to save costs are more likely to turn to outsourcing. New cost optimisation means that telcos have the potential to make average savings of 20% if they turn to outsourcing. In a recent report by Infonetics Research, it stated that fierce competition among telcos around the world is driving everyone to increase operating expenses, and that in turn is forcing service providers to outsource more of their network tasks.

According to Robert Morgan of outsourcing advisory firm Burnt Oak Partners the downturn means the number of new deals in telecommunications done in 2012-2013 will increase as clients find they cannot put decisions off any longer. This will extend to renewing existing contracts too: "Outsourcing is changing and not without consequence. Large deals have all but disappeared and deals now being signed are smaller, shorter and less complex than three years ago". Suppliers usually feel recompleting is mostly done for benchmarking

purposes and take it for granted the account will not change from the incumbent.

So, what are the telcos outsourcing? Nokia announced plans to outsource development of the floundering Symbian operating system to consultancy and outsourcing firm Accenture. As part of the process, the Finnish giant will also transition some 3,000 employees to the outsourcing firm.

Vodafone signed a three-year outsourcing contract with Wipro to support the company's fixed-line services to business customers. Wipro will be providing Vodafone with services including network design, as well as building an enterprise network operation centre.

In a similar move IBM was awarded a 10 year contract by Bharti Airtel to manage its technology operations in Bangladesh, including its information technology and data centre operations. Australia's largest telecommunications company Telstra engaged Tata Consultancy Services (TCS) for outsourcing parts of its finance, accounting and voice-related back-office processes. As part of this multi-year deal, which is said to be worth over \$50m, TCS will take over 100 back office positions from Telstra.

With the bid to remain competitive in the market driving outsourcing, it's highly likely that the upward trend to outsource will continue into 2012 and beyond.