IT convergence drives demand for telecom managed services

Operators are turning to managed services to control operational costs and complexity in their IT and network environments. The IT outsourcing (ITO) managed services market in telecom is expected to exceed USD 12 billion by the end of 2016, driven by operators need for data center functions to be integrated with network operations for increased operational efficiency.

ITO demand is increasing across all regions, although developing markets in Asia, the Middle East, Africa, and Latin America are at the forefront. Operators in these regions are facing challenges.

Paying-customer saturation: An increasingly saturated customer base of paying subscribers.

Smarter, more demanding subscribers: Customers are becoming more savvy and now expect more service at less cost.

Fast bandwidth but slow innovation: LTE and fixed broadband have boosted bandwidth but slow internal processes cause service innovation to lag behind.

Increased competition: Multinational telecom operators compete against local operators and each other for the limited user base, while Internet, cable and media companies are also entering the market to capture value-added service opportunities.

Adaptation to new architecture: Virtualization is spreading across IT and network environments in the form of cloud services, NFV, and SDN. The increased complexity is challenging the competency of traditional operator IT organizations.

Operators need to innovate faster if they hope to retain customers in this more competitive market. To tap new markets, they also need to expand where possible. They can expand geographically or by deepening the variety of services they offer, particularly through cloud and digital content services. To increase the focus on innovation and efficiency, many of these operators are deciding that operating networks or IT data centers is not their core business. They would rather reassign staff to cater to customers by improving service, innovating products or extending the reach of the business models. These operators gain the competency to implement this strategy by turning over noncore operations to managed services providers.

“Our company is a telecom company; we
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are not a software company. That’s why we outsource IT,” said a Middle East IT director.

When outsourcing, operators enjoy a collection of benefits, including the advantage that managed services suppliers provide the innovation needed to reach new customers, especially in business or enterprise segments.

Key factors driving ITO

To better understand which market trends drive more operators to outsource IT functions, Technology Business Research (TBR) surveyed 30 operators in EMEA, Asia and the Americas. Of operators surveyed, 73% outsource IT and/or network functions, citing a number of benefits. ITO helps them to handle increased complexity of information and communications technology (ICT), improve security, and manage the introduction of technologies such as cloud, NFV and SDN. The increasing complexity of IT environments is at the forefront of operators’ decisions to outsource IT functions.

In the TBR survey, 58% of operators said they experienced challenges with compatibility across applications in cloud environments. Additionally, 57% of operators surveyed report that meeting NFV scalability requirements is a challenge, with 50% also reporting performance and reliability challenges.

Of operators surveyed, 56% reported performance and reliability challenges and difficulties meeting scalability requirements. The inherent security risks of deploying cloud environments, SDN and NFV in networks are also driving managed services adoption; 53% of operators surveyed said that transitioning to the cloud posed a data security challenge, while 40% of operators said that working with SDN and NFV technologies posed a data security challenge.

Operators are challenged to keep pace with IT innovation while developing predictable CAPEX and OPEX budgets and when creating value through new services. Managed services suppliers can transform the operations model to achieve both objectives.

Efficiencies enabled by outsourcing give operators added scalability, as about two-thirds of survey respondents indicated they use managed services to extend their geographic reach and focus more on core business processes. Operators also leverage these services to expand their enterprise services offerings to grow revenue.

Capabilities required to transform IT

Managed services suppliers must have sufficient capabilities in outsourced network and IT functions to help operators maximize efficiency. As operators understand and plan for new technology implementation in converged environments, they expect increasing competency from their suppliers. About three-quarters of
surveyed operators indicated it is extremely important for services suppliers to have both integration and migration capabilities that span IT and networking spaces. These capabilities are especially important as NFV and SDN deployments become more prevalent.

In the early stages of this market, network suppliers appear to be the first choice for converged ICT outsourcing. Forty-three percent of operators surveyed indicate they use network suppliers for both IT and network managed services. An additional 13% are likely to call upon their network supplier for IT managed services in the future.

Operators are increasingly accepting suppliers as agents of change. They see outsourcing as the opportunity to transform their network and IT environments. What may be difficult for the operator to accomplish internally due to cultural or organizational challenges, suppliers can address by implementing an objective IT transformation roadmap based on numerous experiences and best practices from other engagements.

Many managed services providers demonstrate a high capability in either the network or IT space, but few can provide a high level of service in both areas. Huawei has a strong reputation in the communications network space, while players like HP and Accenture lean toward the IT space. However, Huawei is quickly growing its presence in IT. The company is gaining traction in operator ITO, as it has invested in broadening its managed services portfolio through acquisition and organic development. These investments also complement Huawei’s development of its IT data center, SDN, and NFV portfolios.

**Partnering with managed services providers**

In cases where operators have benefited from partnering with managed service providers...
for either IT and CT services, they are now inviting those providers to handle both IT and CT services. As a result, they gain the ability to reassign staff for other strategic operations such as new service development. They also gain a more efficient network that leverages both the network infrastructure and the data center, while keeping pace with the latest advances in technology, especially NFV/SDN infrastructure. And finally, they can develop and deploy new services more rapidly, as the managed infrastructure features great competence and flexibility.

**Huawei’s growing leadership in IT and Network managed services**

Building on its network operations credibility, Huawei has won more than 360 managed services contracts since it entered the market in 2006. Increasingly these contracts are extending from the network to the data center and some are purely for IT data centers. Operators are viewing Huawei’s customer management practices and technical expertise as strong qualifications for turning over their IT functions.

Huawei’s Managed IT Transformation Solution is a key asset in addressing ITO requirements. The solution includes an IT environment assessment that leverages Huawei’s IT product lineup of server, storage, network and cloud components and managed service offering. Huawei is also equipped to provide managed enterprise cloud services. Huawei’s cloud enablement products and services address and extend hosting centers. The company also uses an extensive partner network to address the enterprise cloud.

Operators in the TBR survey named Huawei among the top three managed services providers for network functions, value-added service platforms, business or enterprise cloud services and data center infrastructure. The majority of respondents perceived Huawei’s managed services offerings to be among the best and indicated they are likely to use Huawei’s managed services in the future.

**Huawei’s comprehensive range of IT and network managed services solutions includes managed IT transformation, designed to converge operators’ siloed IT and CT environments. The need for this service is market-driven, which becomes apparent as operators increase revenue from IT and cloud sources and centralize IT systems in the cloud. Huawei takes an assess-transform-manage approach to IT transformation.**

**Assessment services:** Huawei provides capacity and lifecycle management services as it assesses an operator’s needs. The operator and Huawei ensure strategy alignment as they determine market share and subscriber goals, plan IT investment and budget OPEX and CAPEX.

**Transformation services:** Huawei’s comprehensive transformation solution to migrate applications and infrastructure to the cloud begins with a hardware refresh cycle, including computing, storage and networking equipment. Huawei provides virtualization through its SoftCom architecture, transforming IMS and EPC into vIMS and vEPC, powered by Huawei’s cloud OS.

**Managed operation service:** Huawei’s ManageOne cloud service management solution enables service orchestration, cloud management, application management and infrastructure management.

**Managed Enterprise Cloud:** This solution is designed for the changing IT services business model, where cloud computing brings new revenue opportunities. Whatever challenges operators face – small partner ecosystem, lack of a go-to-market system, small early ROI – Huawei can help. Huawei’s strong cloud ecosystem includes partners who can offer collaboration, security, CRM, ERP and more. Huawei also reduces risk for its customers by planning, building and operating the enterprise cloud and providing go-to-market assistance including sales support and partner management and collaborating with operators in marketing efforts.

Other managed services solutions, including Managed Planning & Engineering, Managed Network Operations, Managed Service Operations, Managed Business Support, Managed LTE Operations, and Managed Multi-Network Operations round out Huawei’s portfolio. Huawei leverages its hosting centers and global
operations centers to provide multi-vendor and multi-technology managed services, improving network quality and making operations more efficient, while also creating more business value for operators.

**Operator examples**

ITO customers have found that Huawei’s IT capability and expertise is on par with its network operations, from onsite outsourcing to the leveraging of internal competency from remote locations including its well-established data centers. Local support in ITO is a critical factor even in offsite deployments. For example, mobile operators in Mexico rely on Huawei’s large Mexico-based offices and support centers to deliver ITO services.

Operators interviewed said Huawei frequently wins the bid based on providing the most value while still managing the complexity and cost of ICT convergence.

According to ITO customers, Huawei also brings management experience and adaptability that carries over from its network managed services approach and experience. IT directors see Huawei as fielding managers and staff who are experienced in multivendor operations and are willing to adapt, going beyond service-level agreements (SLAs) and key performance indicators (KPIs) to local service quality metrics such as serviceability and responsiveness to customers. These qualities, learned in the network business, are serving Huawei well in ITO engagements.

For example, Huawei’s Managed IT Transformation solution helped an operator in Africa simplify operational complexity and improve cost management. Huawei is servicing a five-year IT managed services contract, including infrastructure and application management. Huawei also built an enterprise private cloud for the operator. The operator experienced CAPEX and OPEX savings and 20% SLA improvement.

An operator in Asia is using Huawei’s Managed Enterprise Cloud. The solution provides cloud services to more than 30 large enterprise and government customers while reducing business risk for the operator. Huawei built and operates the cloud, including hosting the computing, storage and network resources.

**Conclusion**

Operators are increasingly selecting managed services providers that are able to reduce complexity and operational costs in both IT and network environments. Driving operational efficiency and reducing OPEX are of paramount importance to evolving network operators. These outcomes enable operators to expand their services to new geographic markets and focus on core business processes.

Operators see Huawei as one of the leading suppliers of ITO. Its broad portfolio of managed services for IT and network environments delivers IT transformation for operators looking to broaden their enterprise service offerings and incorporate new technologies such as NFV, SDN and cloud into their operations.

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The main reason we chose Huawei as our managed services provider was the value, as our primary goal when deciding to move to an outsourcing model was reducing operational cost. Huawei has demonstrated remarkable expertise and enabled more efficiency.

– Project Manager, EMEA Service Provider