Establishing a Presence in Emerging Markets

A Tata Communications White Paper
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Multinational corporations are increasingly drawn towards emerging markets such as India, South Africa and others.

According to the McKinsey & Co management consultancy, an emerging market strategy is key, while *The Economist* says western multinationals are expecting 70% of their future growth to come from emerging markets.

The opportunities are undeniably huge, but so are the obstacles to them in terms of doing business outside what is regarded as the developed world.

The same is true for telecommunications service providers wishing to follow their lucrative enterprise customers into emerging markets in order to “lock them in” as accounts with a single home-and-away communications solution.

In short, these service providers are faced with the question: can we – or do we want to – make infrastructure investment in a telecom market that’s unknown to us? Or should we partner with an industry player that has local expertise and an established presence?
Introduction

A number of challenges face telecommunications service providers wishing to meet the communications needs of their enterprise customers in emerging markets.

Multinational corporations are entering markets, such as India and neighboring countries, as well as South Africa and other economies on the continent, to establish factories that can be staffed with inexpensive labor, take advantage of an economic uptick or to outsource business processes that can be performed by a lower-cost workforce.

This white paper looks at the issues confronting service providers determined to follow their corporate accounts into these distinctive markets in order to handle a customer’s connectivity requirements back to global or regional headquarters, as well as to other far-flung sites – all in a seamless, one-stop shop fashion.
Emerging markets are becoming increasingly attractive to multinational corporations wishing to expand by taking advantage of fast-changing economic dynamics around the world.

This kind of move enables an enterprise to establish cheaper manufacturing operations, sell products to an emerging middle class or outsource business processes that can be performed by a lower-cost workforce.

Management consultancy McKinsey & Co says that creating a powerful emerging-market strategy tops the growth agenda for many corporations, while The Economist estimates that western MNCs expect 70% of their future growth to come from emerging markets.

Citing India and South Africa as examples, the former is ranked 132nd, and the latter 35th, out of 183 economies in the World Bank's Doing Business 2012 league table, which is designed to measure the ease of doing business in various markets. These rankings compare with 4th for the US, 7th for the UK and 1st for Singapore.

The discernible gap between developed and emerging markets underscores the point that doing business in the latter can be far from an enterprise's experience on home territory and other mature markets.
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Exactly the same can be said for service providers compelled to follow corporate customers into emerging markets in order to meet the totality of their home-and-abroad telecommunications needs.

A common misconception among telecom operators is that making progress in an emerging economy will be similar to their home market experience. Multifaceted factors come into play, and the classic cumulative effect can be that a service provider’s performance in getting a solution up and running falls significantly short of an enterprise customer’s expectations. This can be potentially damaging to an account relationship.

So the burning questions for such service providers are: can we — or do we want to — make infrastructure investment in a telecom market that’s unknown to us? Or should we partner with an industry player that has local expertise, an established presence and solid working relationships with a multiplicity of local service providers throughout the world’s emerging markets?
A great opportunity exists here for service providers never having to say “no” when asked by their corporate customers if they can handle an enterprise’s telecom needs in less-developed markets.

The ultimate aim here is to increase loyalty, or “stickiness”, within a service provider’s domestic corporate account, so as not to endanger the more lucrative on-net business in the customer’s home market.

As an example, if a telecom operator already links an enterprise’s sites in developed economies such as Hong Kong, Tokyo, Singapore, New York and London, then that service provider may face the prospect of adding sites in locations such as Mumbai, Johannesburg, Karachi, Botswana or other emerging markets to ensure that existing on-net margins are protected.

Telecom operators are also able to translate such an all-reaching capability into a marketing message to their enterprise customer base, along these lines: when you are moving into a new market, don’t waste time and effort looking for a local solution because we can handle it all — and you will only need to speak to one person to get everything done.

Such a new market presence acts as a differentiator and can serve to attract additional enterprise customers wanting to enter an emerging economy. In addition, opportunities may exist for such newly established service providers to help locally based organizations wanting to move into foreign markets.

In the case of addressing India’s emerging market, an opportunity exists to capitalize on the subcontinent’s geographical position in order to create an alternative route around the world in terms of connecting Europe to Asia, or Europe to Asia and into the Middle East and Africa. The payoff for service providers includes great resiliency and more widespread availability of their various services.
Service provision in emerging markets is ultimately governed by the local regulatory regime. Licenses are either totally unavailable to foreign operators, seriously limited in number or are prohibitively expensive and can take years to finalize — far too long for a multinational corporation to wait for local connectivity.

This alone, shifts into sharp focus, the need to leverage relationships that can facilitate effective agreements with local operators, which hold licenses that can be leveraged and have resources that can provide crucial and timely reach to meet the needs of an incoming service provider’s enterprise customer.

Service providers attempting to “go it alone” typically find that total reliance on a direct agreement with an incumbent often leads to a situation in which that local operator is under no obligation to expedite matters with urgency, or offer service level agreements on service uptime and latency. In addition, a local operator’s capabilities — and general manner of provision — may be markedly inferior to those available in a developed economy.

Once again, the gravity of such a situation can be potentially damaging to a service provider’s account relationship when the upshot is that an enterprise customer’s expectations fail to be satisfied. This is often identified as the greatest of all challenges when seeking to provide connectivity in an emerging market for a corporate customer.

Cultural differences can also place obstructions in the way of a service provider seeking to facilitate connectivity in an unknown territory. Obvious aspects include language barriers and time zone gaps, but softer issues that can have equal negative impact on progress are: fundamental differences in work styles, methodologies and business practices.
Addressing opportunities and challenges

The choice facing service providers is: do we go it alone? Or should we partner with an industry player that already has the on-the-ground infrastructure, knowledge, crucial relationships and partnerships, along with the expertise to get our enterprise customer’s connectivity up and running swiftly and efficiently.

Our solution

Tata Communications is ideally positioned in a number of emerging markets around the world to act as a multifaceted “service provider to service providers”. In short, we tailor solutions that help our service provider customers to “under-promise and over-deliver” to their enterprise customers.

In the case of India and South Africa, for example, Tata Communications presides over last-mile connectivity and a number of data centers, enjoys solid working relationships with local service providers and has on-the-ground workforces running operations and providing field support. These capabilities also enable Tata Communications to assist service providers to follow their enterprise customers into many nearby countries such as Pakistan, Sri Lanka and Bangladesh in the case of India, and the majority of markets in Africa. In addition, Tata Communications offers flexible and effective commercial programs for network and last-mile pricing, while diverse capacity connects emerging markets to regional networks, thereby achieving low latency and reinforcing resiliency.
Tata Communications in South Africa

Tata Communications owns and operates one of the largest subsea cable capabilities in the world, as well as last-mile access in South Africa as a 61% shareholder in Neotel, a fully licensed national carrier and the country’s first converged communications network operator.

Our capability in South Africa also benefits from consortium membership in terms of the SAT-3/SAFE, EASSy and WACS cable systems. In fact, Neotel also provides the primary Network Operating Centre to oversee operation, maintenance, configuration, testing and monitoring of the West Africa Cable System. Interconnectivity with Europe, India and Asia is made possible by Tata Communications and Neotel’s service on the SEACOM system, launched in 2009. Our network-integrated data center services have also been extended to the South African market.

Our top three advantages in South Africa are:

Direct reach to the last mile and your user base. This includes an ongoing rollout of a 10,000km national optical-fibre network, plus FTTx in major metropolitan business districts and WiMax networks in four cities. At the core of Neotel’s network is a carrier-grade IP/MPLS network offering QoS that reaches all South Africa’s major cities.

Redundancy to support business-critical applications. As a Tata Communications subsidiary, Neotel is landing partner for the SEACOM system, offering unique connectivity along the east coast of Africa. Cable investments include SAFE and EASSy for redundancy on the east coast., With ownership in SAT-3 and WACS along the west side of Africa, Tata Communications is able to support customers with a multi-path full-ring around Africa.

Access to business-enabling managed and cloud services. Data centers in Johannesburg and Cape Town offer globally consistent services, while a capability exists to deploy managed hosting and storage services, managed applications, CDN services and Telepresence. Neotel ensures a unique and locally supported competence to roll out comprehensive managed services, integrated with Tata Communications’ global portfolio.
Over a number of years, Tata Communications has built many relationships and partnerships with local telecom operators in a number of emerging markets around the world. This expansive multiplicity of valuable and long-established working relationships is leveraged on a day-to-day basis to help service providers from other geographies serve the needs of their enterprise customers and help them to achieve speed to market in telecom environments of limited maturity. Such a richness of on-the-ground co-operative relationships means Tata Communications is ideally positioned, not only to provide high-quality connectivity to the border of an underdeveloped market, but also in-country via infrastructure owned by local partner carriers.

The prospect of working through a trustworthy intermediary is very attractive to service providers that have no pre-existing relationships with local operators. Recent examples have included Asian service providers that have opted to leverage local carrier relationships owned by Tata Communications in order to enter burgeoning African markets.

A large-scale collaborative network of partnerships also enables Tata Communications to help service providers satisfy the extensive global connectivity requirements of their enterprise customers via Virtual Network Operator (VNO) solutions.
Tata Communications in India

Tata Communications owns and operates one of the largest subsea cable capabilities in the world, as well as nationwide last-mile access, and has interconnection arrangements with the subcontinent’s community of telecom service providers.

The result is a high-availability, high-quality, end-to-end on-net capability – run by a substantially large and skilled workforce – that can serve the total needs of a service provider’s enterprise customer wishing to establish an effective presence in India.

Tata Communications runs a 40,000km transmission network that covers 300 cities and towns, with more than 200 Points of Presence (PoPs), an express network connecting major metros, 4,000kms of metro fiber and 5,000 on-net buildings, with more than 4.4 million buildings GIS-referenced. The company has deployed dual PoP architecture in eight metros, runs more than 40 metro fiber networks and provides direct connectivity onto the NPL network. A full range of service offerings include E1 through STM-64/10G, as well as Ethernet services.
Our top four advantages in India are:

The ability to simplify business sourcing and operations by accessing all our global services. In fact, we offer the most complete global portfolio of services available from any India-based operator. Our pan-India fiber network, which serves more than 120 cities, connects seamlessly to our global fiber backbone to reach major business centers all over the world. Tata Communications also provides world-class colocation facilities in India to ensure the highest possible level of security for customers’ mission-critical applications and data.

We reach beyond major markets without sacrificing service quality. This is made possible by more than 200 PoPs and offices throughout India, plus a variety of last-mile access capabilities including Ethernet and WiMAX.

Speed time-to-market by using our expertise to navigate legal, cultural and regulatory challenges. This includes the ability to source equipment in-region to avoid customs difficulties and helping to navigate an OSP licensing process. We have years of expertise delivering customized solutions to industry verticals such as IT services, financial services, media and entertainment and manufacturing.

You can multiply the value of your India operations as a business enabler. For example, India can be used as a base from which to deliver applications and services to emerging markets throughout Southeast Asia. In addition, India’s rich expertise and technology innovation as a global technology powerhouse market can be accessed.
Our emerging market solution at a glance

Business planning and feasibility consultancy steps to formulate the optimum implementation approach:

- Advise on local regulatory regime and requirements to be met by incoming service providers
- Devise scalable and evolvable network architecture to minimize last-mile costs
- Recommend the optimum-value network solution

Design, implement, and manage local service infrastructure:

- End-to-end international and domestic network backhaul — implement network design with Tata Communications connectivity and data center services
- Local access — negotiate with local service providers to address local—access requirements
- Implementation and operations support — manage equipment procurement and network integration
- Ongoing network optimization

Business operations consultancy:

- Help service providers streamline business processes to ensure swift response to customer requests (eg. last-mile connectivity)
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About Tata Communications
Tata Communications is a leading global provider of a new world of communications. With a leadership position in emerging markets, Tata Communications leverages its advanced solutions capabilities and domain expertise across its global and pan-India network to deliver managed solutions to multi-national enterprises, service providers and Indian consumers.

The Tata Global Network includes one of the most advanced and largest submarine cable networks, a Tier-1 IP network, with connectivity to more than 200 countries across 400 PoPs, and nearly 1 million square feet of data center and colocation space worldwide.

Tata Communications’ depth and breadth of reach in emerging markets includes leadership in Indian enterprise data services, leadership in global international voice, and strategic investments in operators in South Africa (Neotel), Sri Lanka (Tata Communications Lanka Limited) and Nepal (United Telecom Limited).

Tata Communications Limited is listed on the Bombay Stock Exchange and the National Stock Exchange of India and its ADRs are listed on the New York Stock Exchange. (NYSE: TCL)