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## Telecom and the emerging Asia/Pacific Marketplace

By Dan Blacharski

China Mobile, the largest mobile operator in China, has revenues of \$23 billion. But China is not alone in the Asian nations; India and Japan both present enormous opportunities for telecom companies and OSS providers alike. India, in particular, has a rapidly growing middle class, and the need for telecom services in that country is particularly burgeoning.

At the Broadband World Forum Asia 2006 in Hong Kong, Michel Rahier, EVP and President of the Fixed Communications activities within Alcatel, stressed that the increasingly sophisticated services, such as IPTV and triple play, that are in demand throughout much of Asia must rely on an IP-based infrastructure. This infrastructure must be able to deliver the interactivity necessary for cutting-edge services, and also the necessary QoS levels.

Last month, the 6th Annual Asia Pacific Billing and Revenue Management Week took place in Bangkok, another event that underscores not only the emergence of telecom in the Asian countries, but also the importance of OSS systems to telecom companies that wish to participate in this huge market.

### **The Asian Marketplace**

The Chinese telecom industry has grown more than 20 percent annually for the past decade. There's no disputing the enormity of the Chinese marketplace and the rapidly growing demand for wireless services. The upside of telcos doing business here is high, with growing demand and low penetration. The country has nowhere near the penetration of the United States in terms of telephone lines, yet China has 311.7 million main lines in use, compared to the US's 268 million; China has 334.8 million cell phones, compared to America's 194.5 million. According to Research in China, by the end of 2005 China had 111 million Internet users.

And Chinese users aren't just demanding plain vanilla phone service. The Asia-Pacific market in general, and China specifically, is a high-stakes market. Seventy percent of China Telecom customers in a recent survey indicated that they want IPTV. From a broader Asian perspective, the survey indicated that by 2010, half of all IPTV customers will be in Asia.

Chinese telcos are spending the money it takes to bring their OSS systems up to the level they need to be to accommodate this rapidly growing marketplace. Chinese telecom operators are investing more money in standards-based, flexible infrastructures, which allow them to take greater advantage of 3G networks and deliver new and more sophisticated telecom services to their customers. Several international OSS and telecom companies have exhibited a strong commitment to China. Most recently, BEA Systems announced the establishment of a telecommunications technology center in Beijing, to address the specific needs of China's telecommunications market.

The other major Asian growth opportunity is in India, and deregulation and liberalization of the telecom industry in India has given way to significant changes and enormous opportunities. Saturation is still quite low, at seven for every 100 persons in the country, but telecom is on the move in India, especially for cellular service. Vive Subramanyam, principal of Indian Century Investments, comments that "The Indian telecom market is one of the most exciting markets in the world, with the telecom subscriber base having grown by more than 40 percent last year to cross 140 million. Of this, the mobile subscriber base exceeded 90 million, growing at a breathtaking pace, given that India had just 10 million subscribers about three and a half years back." Subramanyam added, "In a nation of low tele-density with a population of over a billion people, playing catch up means that more than five million mobile subscribers were added last month, and this pace is expected to continue." In contrast, China adds 5.42 million mobile phone users a month. Subramanyam also notes that, "Compared to China Mobile's revenues of over \$24 billion last year, Bharti Airtel, the largest mobile operator in India, recorded revenues of just over \$2.5 billion, an indicator of just how much growth lies ahead."

Although foreign companies wanting to set up shop in India must still have some degree of local ownership, more international companies are moving to India every day. Those that are not moving there are at least seeking out Indian customers. Indo-US partnerships abound. Just last month, Aircell Cellular, an Indian company, announced a partnership with California-based Roamware, a provider of voice and data roaming solutions. The deal will allow subscribers to continue using abbreviated codes to local access services such as voicemail and customer care, while roaming.



Other international OSS companies are taking advantage of the Indian environment of superior technological skills in development. OSS vendor Axiom Systems, which offers service fulfillment software for communications service providers, is working with Wipro, one of the largest Indian engineering firms, to componentize OSS services to simplify the fulfillment process.

Other Asian countries are also showing tremendous growth. Indonesia has 38 million handset subscribers and 16 percent mobile penetration, and according to the country's statistics, Indonesia must import \$500 to \$600 million in telecom equipment annually. Since reforms in Vietnam, telecom is expanding at 10 percent annually there as consumer confidence continues to grow and foreign investment is welcomed.

According to a survey commissioned by Genesys (an Alcatel company), the Asia-Pacific region leads the world in IP telephony adoption, with IP deployed at 25 percent of the 500 contact centers polled. Sixty percent of the centers polled expect to deploy IP within a year to at least

one contact center; and 82 percent within two years. More customer service organizations will be investing in IP telephony for their call centers, and although cost savings are a major factor behind IP telephony, telcos are also demanding more sophisticated applications for managing customer interactions. And a positive note for the OSS industry also comes out of this survey: three fourths of respondents expect, within three years, to deploy or support customer interaction applications or technologies that are currently not planned for.

According to a report from Research in China, China, Indonesia, India and Vietnam are the fastest developing telecom markets in Asia, while Japan, South Korea, Hong Kong and Singapore have high penetration.

### **VoIP in Asia**

Small and mid-sized businesses are taking center stage throughout Asia, and they are quickly getting up to speed with networking and advanced telephony. In particular, they are rapidly embracing VoIP not just as a way to cut costs, but as a way of participating in the global marketplace. According to AMI-Partners, small and medium-sized businesses in Singapore, Taiwan and Korea are continuing to move toward participation in global supply chains, and are seeking new ways to communicate with their business partners around the world. In these markets alone, AMI-Partners reports that SMBs spent \$11.5 million on VoIP in 2003. In India, China and Russia, SMBs spent \$19.4 million on VoIP in 2003, and will spend more than \$200 million in 2008. More recently, In-Stat noted that VoIP services will grow by a billion dollars a year throughout Asia, reaching \$10 billion by 2009. In terms of services such as IP Centrex in the Asia-Pacific region, IDC predicts a 95 percent annual growth rate, with IP Centrex services along growing to \$157 million by 2009. This rapid adoption of VoIP throughout the Asian market will be a key driver for related OSS companies that serve telcos in this market.

### **The OSS Opportunity**

"The Asian telephony market is far more advanced compared to other countries, especially in mobility or wireless solutions said Stephanie Atkinson, Principal Analyst at Compass Intelligence. "As far as the global telecom market is concerned, many look to Asia for the trends that will be occurring in other countries two years down the road. It appears that advanced research and technology adoption in and around Asia-Pac is used as a guide or tool, and in some cases viewed as a trial in many markets because Asia is often the 'first' country to implement or test." One such example is WiBro. Atkinson noted, "Broadband adoption and wireless penetration has become a huge stepping stone for Asian telephony companies and they have been truly successful in going to market with new and innovative mobile technologies."

Operators in Asia are losing about 11.8 percent of turnover, or \$48.3 billion, due to revenue leakage caused by billing errors, poor processes, and fraud, making the OSS opportunity in Asia very clear. The need for more sophisticated OSS systems will quickly become more evident as the move from 2G to 3G continues, bringing greater telecom opportunities for carriers and manufacturers, and requiring more functionality from OSS providers who will be called on to handle more sophisticated telecom environments.

While in rural areas throughout Asia the focus remains on expanding the reach of plain wired and wireless phone services, increasingly there is a strong demand for multimedia and value-added services throughout urban areas that include Delhi, Bangkok, Beijing and Tokyo.

According to Insight Research, worldwide OSS sales reached \$30 billion in 2005, with Asia-Pacific consuming 27.7 percent of that total. Through 2010, Insight predicts that EMEA and North America will lose ground to Asia-Pacific as that region continues to be the growth engine that powers the global telecom industry into the next decade.

