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Trend

India calling

*The concept of Managed Communication Services is gaining momentum in the Indian market, says **Priya Jain.***

As demand for advanced communication services picks up, it has, in turn, boosted demand for Managed Communication Services (MCS) in the country. Alcatel's internal estimates put MCS on a growth trajectory of 10 to 15 percent per year over the next five years, reaching $60 billion a year worldwide, or approximately 20 percent of the business that service providers do with enterprises globally.

Back home, GTL's internal research, on the assumption that the MCS market in India consists solely of voice services, and that the target segment consists of SMBs, rings up a figure of Rs 275 crore for 2005-06 with a growth rate of 60-70 percent projected for the next two to three years.

MCS has emerged on account of the growing demand for enhanced network-based services that can optimise total cost of ownership, integrate with traditional service delivery models, and guarantee an appropriate upgrade path as technology evolves. MCS is about assisting enterprises in operating telephony-related services and their evolution towards voice over Internet protocol and mobility.

Hosted services that are built around the convergence of voice, video and data also fall under the MCS umbrella. It simplifies the logistics of introducing and maintaining the latest technologies at hundreds of sites in a large enterprise, and bundles all these services into a predictable subscription-based package based on operating expenditure (Opex) or consolidated billing on a contractual basis depending upon the service assurance and SLA.

There are two parts to MCS. The first deals with hardware, where Cisco, Avaya and Nortel play. The second aspect is the services component; this is about who bundles the hardware and services, and it is where the likes of GTL, Alcatel, Ericsson and Nortel hold sway.

IP PBX market in India

- FY06 market size for IP PBX phones and pure IP PBX stands at $107.1 million
- FY06 market size for IP PBX phones and pure IP PBX as well as Hybrid PBX and A/D phones stands at $288.3 million

Source: IDC

MCS calls India

The magnitude of the MCS market in India can be seen not only through its availability from vendors like Alcatel, GTL and Nortel, but also through the number of Indian businesses and verticals adopting it. Alcatel is gunning for a share of 30 percent in the Indian MCS market. It already has 10 customers in this space from the hospitality, manufacturing and services industry. GTL is also expanding in this market, and is providing services to customers such as Vinstel Techno Services. Explains Kumar Sukumar, CEO & MD of Vinstel, "We have opted for MCS from GTL. We started our MCS operations in April, and were fully operational in June 2006. The decision to go in for MCS was taken because we wanted to focus on our business processes."

GTL has installed call centre infrastructure, connectivity (LAN, WAN), internal phone systems, and Internet connectivity for Vinstel. The company gets technical assistance onsite from GTL, along with remote assistance from the latter's network operations centre (NOC) which provides remote technical assistance, diagnosis and rectification of problems.

Sukumar adds, "GTL's accountability ensures optimum service, assistance in resolving issues, engineering accountability, and easy verification of technical issues. This has resulted in an increase in employee efficiency. The most important thing for MCS is the comfort level that you have with your service provider, and the responsibility and transparency of the SLA in terms of cost and service levels wherein the additional fee is also pre-determined in terms of the future requirements of your company. That said, challenges are associated with services, and to solve challenges— like meeting the agreed-upon service levels—an MCS provider should lay out escalating procedures."

The next step

A managed IP PBX is the future of managed communication services as more enterprises upgrade to IP PBXs. Bharti has deployed an IP-based MPLS solution powered by Cisco for its corporate clients. It can offer various value-added services such as bandwidth on demand, managed services, intelligent routing of voice, data and other mission-critical traffic, and VPN and Internet access.

Ranajoy Punja, Vice-president, Marketing, Cisco Systems India & Saarc, is of the view that the market is moving towards convergence of voice, data and video. As the adoption of IP PBX increases, they see a big opportunity for the managed IP PBX market. They are presently providing a couple of MCS providers with their IP PBX products.

Changing needs

Vinstel is not the only company that has shifted to MCS. Reliance Communications is also in the process of going in for these services, and is in talks with industry vendors regarding the same. Since Reliance wants to expand its focus from voice to other areas such as data, IP and collaboration, it is looking at MCS to give it a single point of accountability, enable a better portfolio of services to its customers, and help in managing cost on an Opex basis.

One of the deals that defined MCS was the one between Bharti and Nortel. Bharti Tele-Ventures signed a five-year managed services agreement with Nortel to host contact centre services for more

than 19.7 million subscribers using Bharti's Airtel GSM mobile, broadband and fixed line services. Nortel will create an NOC in New Delhi, and provide network design, integration, support and maintenance services for Bharti's contact centre architecture.

A 24x7 'virtual store front' voice portal based on Nortel's interactive voice response (IVR) solution will be the cornerstone of Bharti's new contact centre operation. Calling a single number from anywhere in India, Bharti's wireless and wired customers will be able to speak in English, Hindi or four other regional languages to complete routine transactions and subscribe to new services.

"We're not selling just a box, we're not selling just a feature— we are solving real business issues"

- Rajat Tandon
Vice-President
Major Account &
Country Services
Leader
Nortel India

To simplify matters, Bharti has worked with Nortel to create an innovative 'per call' approach to paying for Nortel's hosted services, linking its contact centre cost structure to network traffic, service levels and customer growth. The Nortel solution also includes virtualisation of the contact centre infrastructure, and technology for call forecasting, call routing, call prioritisation, multimedia, unified messaging and IP-enabled video.

Several new models

We've come a long way from the traditional 'cost up model,' which is a standard pricing deal covering an NOC, and an agreed level of change based on a fixed baseline. Today we have the country's service providers leading the switch-over to a 'utility model' where a managed services provider's success is tied into its customer's success. These utility deals are structured on revenue sharing, cost per port, volume of calls, or calls per minute.

Opines Rajat Tandon, Vice-president, Major Account & Country Services Leader, Nortel India, "Competitive pressure in the service provider market is driving the utility model; large enterprises including BPOs are considering outsourcing services to concentrate on their core competencies and/or enhance service to their internal and external users."

However, the MCS market is evolving while companies are going through a transition in terms of technology upgradation. Says Shekhar Agrawal, Vice-president & Head, Private Communication Group, Alcatel South Asia, "There are those who are either not equipped to manage their communication requirements or want to focus their resources on their core business. Key aspects in moving to MCS are financing, partnerships and SLAs. The Indian market should grow faster vis-à-vis the global one as Indian companies are going through a migration process. The hospitality, manufacturing and BPO segments are keen on MCS."

"Concerns regarding the working model of MCS include service levels and security"

- Shekhar Agrawal
VP & Head
Private
Communication
Group
Alcatel South
Asia

"There are

Comments S K Roy, Deputy COO, GTL, "Based on market conditions, there are several business models that emerge based on who is front-ending a deal and what each partner is bringing to the table. Other factors leading to the increased adoption of MCS are perhaps the

transition of traditional TDM-based telephony to IP Applications that bring in business solutions such as multimedia collaboration, Webinars, unified communications, and vertical applications for call centres and hospitality."

Is it any good?

Sukumar says, "After opting for MCS we can focus on the most important aspect of our business, that is, people and processes, while the technological aspect is taken care of. I don't have to worry about additional capacity or equipment requirements, for, as my business grows, the MCS provider monitors it and assists me in a proactive manner."

Tandon believes that MCS solves real customer problems, saying, "This is not just about selling a technology. We're not selling just a box, and we're not selling just a feature. We are solving real business issues."

The benefits of MCS are clear: reduced total cost of ownership, predictable costs, a flexible and guaranteed evolution path, and the freedom to concentrate on a company's core business. The strategic and long-term nature of managed and hosted solutions makes the selection of MCS a critical business decision. To grow while retaining customers, enterprises have to optimise their business processes to exploit new solutions including broadband access and user-centric applications.

Roy opines that MCS is also good for service providers because it helps them grow traffic with growth in TDM minutes, and greater bandwidth utilisation through application deployment. MCS helps in customer lock-in with long-term contracts, high switching costs, and higher value relationships, and also facilitates increase in revenue through equipment sales as well as service revenue from the maintenance, management and extension of managed services.

The business model of MCS is a partnership between a technology provider, a system integrator and a service provider to package the communication and connectivity solutions to the enterprise charged on a per-user basis. Nonetheless, there are some concerns that need to be sorted out.

Agrawal says, "There are a few concerns regarding the working model of MCS. They include service levels, relationship with the service provider, and security. But with time and improvement in the learning and awareness curves, there will surely be a positive change in the mindset of customers, resulting in tremendous growth."