International Network Carriers: Raising the Stakes in Asia/Pacific (Executive Summary)

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The international network services market in Asia/Pacific has undergone dramatic changes in the last few years. Most of the old carrier alliances such as Concert and GlobalOne have been disbanded. In their place, new ones are created. With the realignments, disparate networks have to be consolidated and reconstituted under new partners or owners.

This has left players such as BT and Sprint without their own network infrastructure to deliver services in the region. Some players have wound down their operations, retreating back to their home markets. But a few, including Sprint and C&W, are trying to make a comeback in the region, painfully rebuilding their networks and local service and support.

While the old carriers sort out their problems, a host of new players — ranging from cable operators to startups — have entered the market, some competing on a pan-regional basis while others are focused on niche segments such as hosting. At the same time, the major Asian carriers, including PCCW, Telstra, Singapore Telecom and NTT Communications, are pushing more aggressively out of their home markets into the region.

In a nutshell, the competition is getting hotter than ever. In the past, competition was limited to a small number of established players; now the market is much more fragmented. Service prices are also rapidly dropping because of inexpensive bandwidth and excessive competition. Carriers are also under pressure to deliver new services such as IP-VPNs, hosting and application services.

Despite the stiff competition and the big challenges, the major carriers still want to increase their market share in this sector. The international network services market for multinational companies, also called MNCs, in Asia continues to be fairly lucrative, compared with the consumer market where basic telecom services have been commoditized.

A check across the region also reveals other important trends:

- Unlike the past, when alliances between major players was the game for global domination, most players today are striking out on their own, confirming that alliances generally don’t work after they’ve been in place for a while. A few, such as AT&T Business and France Telecom (via Equant), have emerged as strong players. But this came at a heavy price, usually through costly acquisitions at the height of the telecommunications bubble.

- The competition is rising to a new level. The players' backbone networks are far better than before. With the arrival of new subsea cables, carriers have been able to set up bigger and more resilient networks because of inexpensive capacity and diversity. International players have been able to extend their networks to more countries because of increasing telecom liberalization, especially in restricted markets, allowing them to offer better end-to-end service.

- Carriers are rolling out a wider range of services, especially IP-based services for e-commerce environments. Besides ATM and frame relay, carriers are offering IP and Internet-based VPNS, secure remote access, firewall management, basic and managed hosting and even application services. Some players, especially Asian carriers such as Singapore Telecom, NTT and Reach, are building data centers across the region to support the push into new services.
For the full report, see the Gartner Dataquest Focus Report, "International Network Carriers: Raising the Stakes in Asia/Pacific" (TCPS-WW-FR-0143).