

Outsourcing Operations

Managed services enable enterprises to improve efficiency

Operators are increasingly opting for managed services in order to improve operational efficiency and keep costs in check. They are signing contracts with managed service providers (MSPs) to fully or partially outsource their networks. *tele.net* spoke to enterprise customers, managed services vendors and industry experts about the key drivers for these services, the issues and concerns, and expectations for the future...

What are the key growth drivers for managed services in India?

Gaurav Agrawal

Increasing opex and challenging economic conditions are compelling chief information officers and CXOs to explore options to lower the cost of setting up and managing IT networks and enhance business operations. The scope of managed services contracts could range from fully outsourcing the IT network to partially doing so.

Sanjeeb Choudhury

The managed services segment in the telecom industry generally works in a multifaceted manner. Operators and service providers work in tandem to achieve the end result. While outsourcing is viewed as the best tool for carrying out network operations in the IT industry, operators have also found it convenient to meet their in-house IT requirements. The service and support industry is mainly driven by service level agreements (SLAs) and key performance indicators to evaluate the efficiency of MSPs. This would, in turn, increase the competence of telecom operators.

Mohammad Chowdhury

The growth potential for managed services in the next few years is quite strong. Service providers in India are still firming up their managed services product portfolio. Operators, in particular, are looking to outsource functions related to finance, procurement, supply chain management and revenue assurance to MSPs. Also, there is significant scope for operators in the country to expand their business, which will further drive the need for managed services in the telecom sector. Moreover, India continues to be an attractive destination for international players and this would also contribute to the growth of the managed services market.

Hemant M. Joshi

The key growth drivers for managed services in India are outsourcing of network and IT operations for better cost control, flexibility to size the business as per requirements and focus on customer interface. Technology and IT are fast evolving and are best managed by vendors like Huawei, Nokia Siemens Networks and Ericsson; and IT service providers such as

IBM, Amdocs, Tata Consultancy Services and Tech Mahindra. Opportunities in the machine-to-machine (M2M) segment in home automation, security, utilities, etc. will also be a key growth driver.

Khushru Siganporia

The easy availability of standardised solutions will drive managed services in India. Also, MSPs need to understand their clients' business requirements in the context of changing technology trends and strong market competition.

What are the key trends and opportunities in the segment? Which services are more popular (managed applications, networks, data centres, messaging, etc.)?

Gaurav Agrawal

Earlier, only a few large technology companies like Infosys and IBM were signing managed services contracts. This has now extended to mid-tier companies as well. Today, a large number of enterprises are making fresh investments in their IT infrastructure, given the wide range of solutions available in this space.



Gaurav Agrawal

Head, Value-Added Services and Cloud Services, Sify Technologies



Sanjeeb Choudhury

Senior Manager, IT, The Indian Express Limited



Mohammad Chowdhury

Leader, Telecom, PricewaterhouseCoopers India



Hemant M. Joshi

Partner, Deloitte Haskins & Sells



Khushru Siganporia

Director, IT, Indian Hotels Company Limited, Taj Group of Hotels

"One of the key challenges is that there is no single-window solution available for clients."

Gaurav Agrawal

Managed services can be classified into two tiers of applications used by enterprises. The first tier is horizontal play-centric and includes applications like messaging and customer relationship management (CRM). These are common across enterprises that are looking to completely outsource their networks. The second tier of applications is heavily customised and includes functions related to billing and processing, which are customised to align with an organisation's internal business processes. In this context, the industry has not seen any major success, barring a few exceptions.

Sanjeeb Choudhury

Setting up of networks and data centres is an established trend in the industry while managing applications is an emerging practice. Also, cloud computing is being looked at as a huge opportunity by operators to increase their competitiveness in the industry. There are significant opportunities in the segment given the growing uptake of value-added services and increasing demand for bandwidth spectrum as well as fibre-to-the-x connectivity.

Mohammad Chowdhury

The most important and popular managed services include those related to areas such as finance, procurement and human resources. These are the upcoming segments in the managed services business. A lot of outsourcing has already been witnessed in other areas like IT and technology in the telecom sector.

Hemant M. Joshi

Outsourcing business components like networks, IT, data centres, customer interface, CRM and billing to reliable vendors is the emerging trend in the managed services segment. There are several business opportunities for value-added content, health care delivery, bank-

ing, education, agriculture, etc. With the increasing focus on data centre and cloud technology, IT infrastructure is the most popular function considered for outsourcing. Another popular service is virtualised test infrastructure that can be used to verify new product offerings.

Khushru Siganporia

Hosted virtual desktops and cloud computing are the most popular services in this segment and provide key business opportunities for managed data centres and network services.

What is the likely impact of the launch of 3G and 4G technologies on the managed services market?

Gaurav Agrawal

Applications are shifting towards the use of wireless technologies. Going forward, 2G, 3G and 4G will be the key drivers of this market. These technologies will be the major enablers for managing applications.

Sanjeeb Choudhury

The impact of 3G and 4G services cannot be predicted as these are at a nascent stage. However, their uptake is expected to be beneficial for MSPs.

Mohammad Chowdhury

The launch of 3G and 4G technologies will provide a fillip to the uptake of data services, which in turn, would create the need for managed services in the IT domain and lead to increased adoption of data centres. With the growing uptake of data services, the demand for data storage in the country is also set to rise. Moreover, the development of cloud services is expect-

"The launch of 3G and 4G technologies will provide a fillip to the uptake of data services, which, in turn, would create the need for managed services in the IT domain."

Mohammad Chowdhury

"The future of the managed services segment in India looks promising."

Sanjeeb Choudhury

ed to play an important role in promoting the managed services business.

Hemant M. Joshi

As huge investments are required to deploy 3G and 4G services across the country, outsourcing functions such as IT infrastructure and network operations will free up significant capital for operators. Moreover, the proliferation of 3G and launch of long term evolution/4G will drive the uptake of managed services.

Khushru Siganporia

The nexus and penetration of cloud and mobility solutions will grow with the increased uptake of 3G and 4G services.

What has been the experience with managed services so far? What are your expectations from MSPs in the future?

Gaurav Agrawal

In the future, managed services will cease to be considered a specialised service. Instead, they will become a default part of the IT package and customers will not be willing to pay for them separately. For example, when data centres were launched in the country, customers were ready to pay for cabling and monitoring, which has now become a default part of the data centre service package.

Sanjeeb Choudhury

The experience with MSPs has been good so far as they are providing services to end-users and customers efficiently. Service providers should work with operators in a life-cycle manner in order to reduce the latter's capex and opex, and ensure higher returns on investments. Also, the SLAs need to be more flexible and customer-centric to accommodate better acquisition and retention strategies.

Mohammad Chowdhury

So far, the experience of managed ser-

"Outsourcing business components like networks, IT, data centres, CRM and billing to vendors is the emerging trend in the managed services segment."

Hemant M. Joshi

vices in India has been very positive in terms of establishing partnerships, where MSPs have been successfully offering basic services required by the operators. However, new and innovative models that will have a positive impact on business outcomes for operators are yet to be implemented. Service providers would also expect to see a greater connect between managed service provision and revenue growth. So far, MSPs have helped operators achieve more flexibility in their operations. They have been offering basic services to operators at lower costs and with higher consistency. In the future, the managed services business is expected to ensure a greater revenue connection for operators.

Hemant M. Joshi

Most operators in India are opting for managed services in the areas of IT and network, customer care, data, etc. In order to cater to their requirements, highly customised and large-scale service offerings will be required. For instance, the Indian telecom subscriber base is significantly larger than the European and US markets, and, therefore, requires the ability to handle scale, and support interplay of industries, as well as domain knowledge for value-added services in health care, education, banking, etc. The expectations from managed services include ensuring customer data privacy and network security and business continuity and planning.

Khushru Siganporia

Our MSP experience has been satisfactory so far. However, managed services players need to add more value to their product offerings and improve service availability.

What are the key issues and challenges faced by the segment?

Gaurav Agrawal

One of the key challenges is that there is no single-window solution available for clients. Customers are still required to manage multiple partners and vendors to ensure risk-free business. The second challenge relates to the rapid advances in technology, which makes it difficult for players to standardise devices in terms of network type and application usage.

Sanjeeb Choudhury

The challenges include the timely delivery of services, financial pressures, increased competition, meeting quality maintenance requirements and adhering to SLAs. Convincing customers to adopt cloud computing services is another major challenge for service providers.

Mohammad Chowdhury

There are several issues related to the lack of talent for driving growth in the managed services segment. Gaining a better understanding of the changing business needs of telecom operators is another key challenge.

Hemant M. Joshi

Security issues, customisation of offerings and scale of operations are some of the challenges faced by MSPs. The lack of talent and knowledge workers are other critical issues that need to be addressed.

Khushru Siganporia

MSPs currently offer a limited portfolio, which is problematic if a customer opts for multiple services. Also, the current regulatory environment restricts the interconnection of services across multiple MSPs.

What is the future outlook for the managed services segment in India?

Gaurav Agrawal

We see many operation and maintenance and global players entering this space.

Sanjeeb Choudhury

The future of the managed services segment in India looks promising. These services would not only be required by operators but also by big enterprises and internet

"MSPs need to understand their clients' business requirements in the context of changing technologies and market competition."

Khushru Siganporia

players. Therefore, telecom operators will have SLAs in place to avail of benefits by outsourcing parts of their network to MSPs. This would, in turn, ensure higher operational efficiency and standardised business solutions. At present, the telecom industry does not have a business model for network operations. Though MSPs operate the networks, these are owned by operators. Going forward, this scenario should change as networks will evolve on a capex sharing basis, which will ensure distribution of ownership and responsibility amongst all stakeholders.

Mohammad Chowdhury

The outlook for the managed services business in the country looks positive. Both the consumer services and enterprise services segments in the telecom sector will drive the growth of the managed services market. Also, the outlook for managed services is partially dependent on the future of the telecom industry itself.

Hemant M. Joshi

The managed services segment presents a major opportunity for global as well as Indian vendors. The deployment of new technologies like 3G, 4G and cloud will facilitate growth in the telecom industry. Moreover, huge opportunities are likely to arise from M2M.

Khushru Siganporia

Competition in the managed services space will increase over a period of time. The managed services business will grow as an increasing number of applications become available, especially in the case of small and medium enterprises. A knowledge of this business segment will help vendors to understand the dynamics of this space and thus improve performance levels. ▲