

## Enterprise Data Network – A Growth Engine for Telcos

The Indian telecom market is changing colors. Increasing the revenue from enterprise customers is now getting on top of mind of telecom CEOs as growth in revenues from the traditional mobile individual users is getting flat. The falling revenue per user has further increased focus on data services as well as mobile content and value-added services while the enterprise telecom needs to get renewed attention. The enterprise telecom market consists of data and voice services.

In the 1990s, the emergence of Internet fueled the need for networking and data services. As applications become IP-based, a whole new world of All-IP environment with All-IP applications has become more popular. In the next 10 years, the penetration of All-IP applications for both corporate and consumer use is expected to take place. One of the focus areas for any CIO is to make the enterprise data network more and more robust as all business process automation services ride on this network. To build robustness, CIOs typically build redundancies in their network, which also fuels the data bandwidth requirement in this sector.

The enterprise segment is fueling the demand for data and connectivity throughout the country and abroad. The factors contributing to growth include adoption of networking technology by IT and the expansion plan of businesses within and outside the country. The choices that enterprises are making about their IT architecture, outsourcing, data center consolidation, and initiatives on mobile IT have a direct impact on the choice of technologies used, which in turn influences network services procured by enterprises. The key infrastructure required to carry this data traffic remains widespread availability of

fiber optical network. The enterprise data services market constitutes approximately 11 percent of the overall estimated enterprise telecom market of about ₹70,000 crore growing at a CAGR of 10 percent, which is fueled by increasing need for data connectivity by large and small enterprises.

Enterprise data services include IPLC, NPLC, MPLS, and Internet. Internet-leased line revenue contribution is high predominantly due to high demand by the SME/SMB sector as well as increasing bandwidth needs of large enterprises. Internet services are experiencing a significant price drop of around 10–15 percent YoY that overall moderates the revenue growth of this service. This is because of the stiff competition among service providers for a larger market share.

MPLS VPN and Ethernet are the fastest growing and an apt alternative for IPLCs. Demand for IPLCs thus has been coming down in the enterprise space as many of them are now migrating to cost-efficient and scalable solutions like MPLS and Ethernet. With further price drops expected, the IPLC segment does not appear attractive from a business perspective. To combat price drop, churn and ensure more stickiness, service providers are looking at bundling value-added services. CPE bundling, monitoring, and management has been widely accepted by the market.

Other connectivity options like VSATs are still considered for connecting locations that have no wired/wireless infrastructure coverage. Multiple offerings around 3G are being developed by service providers to cater this segment. Managed services is another key area of growth. It is estimated around 45 percent of the total enterprise telecom market. Enterprises are benefited with a much larger value



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proposition in terms of cost savings as well as service features. Most of the decisions to subscribe for managed services are directly related to an organization's decision to outsource, enterprise customers are also looking at managed security services from providers while those are limited to CPE based and adoption of cloud based is limited. Internet usage is growing in India and with proliferation of smart phones and other smart devices access to content has increased and data is exploding. This has also led to increase in demand for data center space both in government and enterprises sectors. Data center market is expected to grow at 8 percent annually and service providers are setting up new data centers in key locations. A bulk of managed services revenues will be generated from these data centers as enterprises would need solo spaces and service associated with the same as remote hands, managed security, and content management from data center providers.

Wired networks in India have limited coverage for multiple reasons. Optical cables and copper wires are also often damaged by road constructions. These factors affect enterprise users who are the biggest customers with high ARPU for a provider. Providers have to continuously innovate to overcome these challenges and ensure customer-centric solutions are rolled out. ■