



Telecommunications Network Maintenance Services

Key Trends in Asia



Emerging Asia

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Telecommunications Network Maintenance Services: Key Trends in Asia

With expectations for telecommunications networks to be operating constantly near 100% with limited downtime, technical maintenance support and speed of recovery are vital issues within the telecommunications industry. Emerging Asia's research into the telecommunications industry in Asia reveals outsourcing of maintenance is common amongst carriers.

Telecommunications Network Maintenance Services Overview

Within the telecommunications industry in Asian, technical support and maintenance of hardware is usually provided by the telecommunications equipment providers. Key players include Huawei, ZTE, Nokia Siemens, Alcatel-Lucent, Motorola, Ericsson, Juniper and Cisco. The availability of spare parts and the turnaround time on repair services are significant considerations for telecom carriers and the nature of the telecommunications business is driving demand for proactive maintenance by providers. Awareness of these factors, and an ability to compete by offering quality, reliable and low cost maintenance services are key service differentiators.

With intense competition within the industry, manufacturers frequently offer significant discounts (20-30%) to existing customers, and the industry in general has moved to 'bundling' hardware and maintenance services together. Long term deals with vendors who can provide maintenance support as well as equipment is the preferred model for carriers such as Telekom Malaysia, Indosat, and AIS and DTAC in Thailand amongst others. Providers package hardware with technical support services. These services typically include telephone support (varying from Monday - Friday to 24/7 services), spare replacement agreements, and repair packages. Generally, most equipment vendors are only responsible for the service and maintenance of their own products.

Telecommunication network equipment vendors market bundled hardware and maintenance service contracts

Telecommunications carriers, particularly in large or geographically complex countries like Indonesia and China use multiple maintenance providers. In Indonesia, Indosat divides its maintenance needs between different vendors, for different islands. Telekom Malaysia and the Chinese telecommunications bodies also use different suppliers for Eastern and Western areas. In China, for example, this segmentation correlates to different service expectations from held by carriers in developed Eastern regions compared to underdeveloped Western and Central regions.



In-House vs. Outsourced Maintenance

Across Asia, the majority of large telecommunications carriers are outsourcing maintenance and technical support. Although not a clear cut rule, there is evidence that outsourcing is more common in private sector carriers than amongst government-owned or invested carriers.

New mobile service carriers – typically private sector ones – in several countries are outsourcing the entire installation and management of segments of their network to equipment vendors. Emerging Asia research has noted that this is common in emerging South East Asian markets (Indonesia, Malaysia, Thailand).



At Chinese telecom carriers, lower level maintenance is more likely to take place in-house. China Telecom has its own maintenance department to conduct Level 1 and some Level 2 maintenance, and China Unicom has its own internal department for Level 1 maintenance. China Mobile also has an internal maintenance department. Likewise, government owned providers in Thailand – TOT and CAT have extensive in-house maintenance and tend to require less technical support from vendors.

There is evidence of change within the Chinese market, however, as carriers including China Mobile are gradually splitting out their maintenance departments from the rest of the company, and outsourcing routine maintenance such as operation checking, equipment cleaning, treatment of low level problems and exchange of certain hardware to specialized service companies.

The world's largest mobile carrier, China Mobile is outsourcing routine maintenance to specialized service providers, a practice that is already quite prevalent amongst other carriers within the region.

Standing Partnerships with Local Service Providers

Some equipment manufacturers such as Huawei, operating in countries such as Thailand, Malaysia and Indonesia, form partnerships with local vendors and cooperate with them to provide maintenance services to carriers. This is typically the model employed by equipment vendors that do not have much physical presence in the market. Besides Huawei, Ericsson, Cisco and Juniper also operate this model in some South East Asian countries by handing off most Level 1

Pricing Mechanisms Used Within China

The most common pricing mechanism used by telecom service vendors in China is to quote their services as a % of the hardware's product price. This is easily understood and seen as more economical by Chinese carriers. This model is the industry standard.

A second pricing model, offering a standard rate x billable time is commonly used for urgent, 'one-off' needs and is more popular with foreign equipment manufacturers but it is regarded as expensive by Chinese carriers and thus not as popular.

Other pricing mechanisms such as custom quotes are also occasionally used.



and preventive technical service and spare management to local partner companies.

Conclusions

Telecom carriers within Asia are attracted to high quality, quick turnaround maintenance service packages that are bundled with their telecommunications hardware purchases. The industry's needs are driving a proactive focus on maintenance and key players such as Nokia Siemens and Ericsson believe that this will continue and expand as Next Generation Networks that tend to require more maintenance attention are introduced. Equipment manufacturers believe that maintenance service prices will increase due to the rising costs of providing qualified technical personnel, and overall increased costs of doing business in emerging markets such as China.



Research Methodology for this Study

Emerging Asia's consultants conducted over 100 in depth interviews as original, primary research across Asia. Interviewees included sales, sourcing and technical staff from telecommunications carriers, maintenance employees from equipment providers, along with maintenance staff from distributor companies responsible for maintenance, independent industry observers, and analysts. This was in addition to leveraging any existing on-line secondary research from government reports, journals, etc.

About Emerging Asia

Emerging Asia is a specialist provider of professional consulting services related to Asian emerging markets. Emerging Asia provides commercial due diligence services, market strategy advisory, and political risk analysis services. Clients include corporations, private equity investors, and U.S., Japan and Europe based consulting firms that require a reliable Asian counterpart for global research and analyses. Emerging Asia's principals have a number of years' experience in conducting and managing market analysis and strategy development exercises such as the one from which this white paper is derived. For more information about the firm, please visit: www.emerging-asia.com

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