



# Moving towards value

Capacity spoke to **Riccardo Delleani**, CEO of Telecom Italia subsidiary TI Sparkle, for his views on the fast changing global wholesale telecoms scene.

## Q | How does TI Sparkle see the wholesale market evolving over the next few years?

The global telecoms market divides, on the retail side, between data and voice on the one hand, and mobile versus fixed on the other. Data growth in particular is likely to be remarkable, while voice will be more stable. The fixed market will probably remain stable, while mobile will grow fast. It's important for us to support all services that our carrier customers offer.

Overall, we see international retail business growing for us by around 2% a year. On the wholesale side on the other hand, I anticipate voice becoming a slower market compared to the past few years, but data will grow, by up to 30% per year in terms of volume. The price of data services will decline year-on-year however. It's the same trend that started to affect voice five years ago. In five years' time, the market for pure IP connectivity will resemble what's happened now in voice.

The traditional wholesale market is more or less flat overall, likely to return growth of around 1%. What needs to happen is a positioning of wholesale beyond pure transport of IP packets towards services that enable higher growth.

## Q | What trends are emerging worldwide that will affect traditional carrier services?

The word here is 'full IP'. There's been talk for a while, but now this is really starting to shape our business. Traditional telcos are transferring to full IP for reasons of efficiency. This allows them

to get into high value areas like fibre-to-the-home (FTTH) and 4G LTE all the quicker.

We see users pushed more and more to use over-the-top (OTT) services. We're seeing a lot of new players on the market, which are not telcos, offering new services, applications and bundles, including cloud-enabled services for mobile data.

The wholesale sector needs to interact and work with these OTT players, finding ways to cooperate for mutual gain. I think the initial reaction was to see the OTTs not as an opportunity, just as a threat. I'd like now to see a much more open relationship with them. At TI Sparkle, we have a great relationship with several big OTT players that I would like to deepen.

OTTs are looking for quality of services, and a relationship with people who manage extensive domestic networks. It doesn't make sense to erect a barrier against them. There are good business reasons for not doing so. We're addressing service areas at the moment that are very relevant to OTTs, like CDNs and cloud. Areas like this will see double digit growth figures over the next five years.

## Q | How is TI Sparkle positioning its business to monetise new revenues streams?

At TI Sparkle, we are addressing two directions at the same time. Firstly, traditional services which have become very commoditised, so we have to be very efficient there. These are still a very important part of our business, but deliver low margins so we need to be lean.



Riccardo Delleani, CEO, Telecom Italia Sparkle

On the other hand we're accelerating towards more value-added service areas, what I would call the smart side of the market. We're on a journey from lean to smart, from traditional to high value. How quickly can we make this happen? That depends a lot on how the market reacts.

By pursuing these two streams at the same time, we can get balance by compensating one with the other.

## Q | What are some of the strategies carriers can adopt to move up the value chain?

It's about this balance between lean and smart. It's going to be about continued focus on core competencies, while trying to extract value from new service areas. Some of the things we've done recently give an idea of where I think the market is going.

On the efficiency/scale side we've upgraded our Latin American backbone to 40G, and we're preparing our European backbone for 100G for early next year. We are gaining back volumes of voice traffic after a managed reduction in those transactions that were either generating low margins or were not delivering in other ways. With IP traffic we're currently in fifth place in TeleGeography's Global Backbone Ranking, which is an impressive result for us.

We'll also see the reach of our network extended. Our Djibouti PoP has been a success, and we'll see more PoPs in Africa. We've

opened for business in Dubai, and will do so in Mumbai to get into the Indian market. South east Asia is important for us too, and we'll be developing a bigger presence in South America.

On the smart side we have enhanced our portfolio with our new IPX solution now available globally – we've even got IP customers in Africa at this time. The market is demanding a solution that's not just best efforts, but offers certainty in quality of service and security.

We are expanding our cloud computing services in the Mediterranean with the launch of a new IaaS suite of services in Greece. At the same time we are evolving our cloud computing offer in Turkey towards PaaS and SaaS solutions.

We are in fact creating a network of state-of-the-art data centres in Italy, Greece and Turkey that leverage on a fully redundant, low latency and top performing global backbone, to position ourselves as the right choice in the EMEA region for value-added solutions, from connectivity to advanced IaaS and PaaS services and virtual hosting, right up to disaster recovery.

In a few words we are working to make sure that Sparkle continues to extract maximum value from traditional and commoditised market segments, while at the same time being a smart operator, moving towards a more IT-based arena. This means wider use of software to enable new services on the network. ■