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Summary of findings from leading events in 2022

# Latest trends in the international telecoms industry



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The international telecoms industry is evolving rapidly. As telecom wholesale operators pursue their ambition to connect the digital world, providing ubiquitous connectivity and interoperability, they are faced with key trends disrupting the industry. C-level focus and intervention are needed to address the challenges and opportunities the disruption presents.

This paper aims to summarise some of the learnings and trends that were discussed by industry leaders during this year's highly anticipated industry events, including the International Telecoms Week (ITW) 2022 in the US and Capacity Media in the Middle East, among others. These conferences bring together the thought leaders that will pave the way for the industry in the years to come.

Topics included are the need for telecom carriers to collaborate, the rise of softwarization and hyperscalers demand, the influence of ESG, the need of business model transformation and more. Find out the top trends FTI Delta has seen across the industry. In this write-up, we define some of the strategic topics that sit in the agenda of C-level executives in the wholesale space.

## Key trends identified



#1 Bandwidth hyper-growth & the fiber race



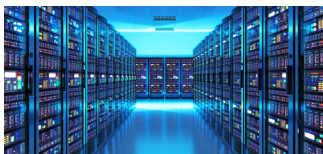
#2 Partnership, partnership, partnership!



#3 Green connectivity backed by green funding



#4 Regulations that drive both restriction and growth



#5 Operating Model: Another industry that needs full transformation



#6 Uber-model for telcos? The future is one-click softwarisation



#7 The 'war for talent' intensifies

## Deep-dive: Specific learnings in the Middle East (GCC countries)



Cables, cables, cables - there is more to come



IX's everywhere, but still no truly open exchange model



Build them, and they shall come:  
DC announcements in the GCC are only the start



# #1 Bandwidth hyper-growth & the fiber race

- The infrastructure demand of the next 10 years will dwarf that of the past 25 years due to bandwidth hyper-growth.
- Across North America & Europe, many city pairs are still underserved, maintaining the relevance of long-haul fiber.
- Data centres capacity growth and expansion require more fiber to service both the hyperscalers and enterprises.
- Data centres are moving both closer (i.e., Edge play) and farther (i.e., mega DCs are relocation due to costs of land), making metro and middle mile networks more complex.
- Players are racing to build out infrastructure for different needs, while under supply chain pressure.



## Implications for wholesalers

- Avoid overbuild as there are enough demands from different layers, especially in areas where the costs of build is expensive (i.e., locations where trenching is needed like Germany, or the Netherlands).
- Maintain close relationships with suppliers to properly plan and meet build expectations.



## Implications for wholesalers

- Through partnerships, telco players can leverage the power of softwarization to create a global network fabric to stay ahead of the hyperscalers demand.
- Leverage co-investments with hyperscalers to accelerate and derisk the infrastructure builds.

# #2 Partnership, Partnership, Partnership!

- Costs of deployment to the scale needed by demand is high; thus, overbuild is unattractive while the opportunity of partnership is critical.
- Softwarization has decoupled the service layer from the infrastructure layer, resulting in more dynamic and flexible routing of data across global infrastructure.
- Hyperscalers are growing exponentially with data center builds and capacity growth, while telco players trying to keep up.
- The slow speed in deployment can lead the likes of GMM (Google, Amazon, Meta, and Microsoft) to intervene with self-performed networks.

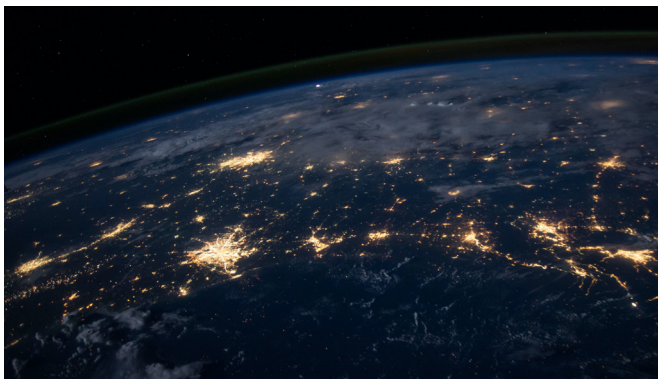
## #3 Green connectivity backed by green funding

- Carbon neutral and sustainability targets are becoming an imperative and not a nice to have.
- Many ESG backed fundings are investing in data centre, tower, and fiber infrastructure builds.
- Across the industry, many builders are working with expert firms to develop sustainable process (e.g., remove when you add to the ground) and materials (e.g., concrete, renewable energy).
- Measuring and reporting the improvement in ESG is now common practice; companies ahead of the curve are tracking and rewarding executives based on ESG KPIs.
- Some players are lobbying for an industry-wide standard to remove confusion and complexity across geography.



### Implications for wholesalers

- Collaborate across industry to make meeting ESG targets plausible in the near-term and level the playing field when an industry-wide standard is met.



### Implications for wholesalers

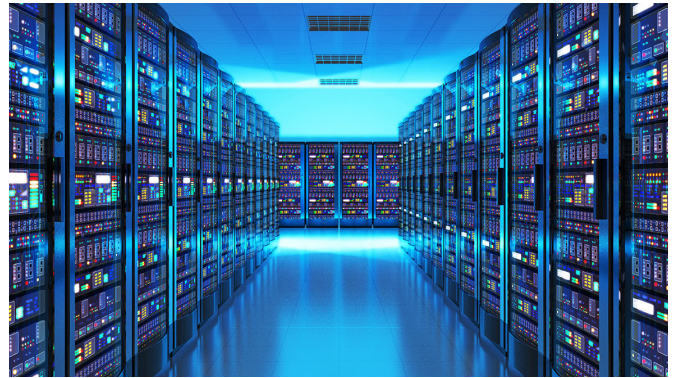
- Ensure proactivity ahead of compliance and regulations to both capture the incentives but also to avoid regulatory violations with financial implications.

## #4 Regulations that drive both restriction and growth

- Push for fiber penetration across different geographies (e.g., US, EU) are facilitating greater partnership between private and public entities to accelerate the rollout of network.
- In the EU, a few countries have relaxed regulations (e.g., the Netherlands relaxed regulations on KPN) to create leveled playing field; however, permitting in different countries remain an obstacle in build speed.
- Compliance is becoming more and more complex across geographies due to the globalisation of partnerships, whereas each party is responsible for compliance regardless of the originator of the service.

## #5 Operating Model: Another industry that needs full transformation

- With the coupling of softwarization and hyperscalers' super demand, the traditional telco operating model is at a critical juncture, where its relevance is at risk.
- Hyperscalers are successful in capturing the value of bandwidth growth, while the network connectivity market stagnates and even contracts in some areas.
- To stay ahead of the global infrastructure demand that requires significant investment, players will need to create international connectivity fabric with the assistance of softwarization.
- Up-the-stack software and technology knowledge and build capabilities are required more than ever, which leaves telcos competing for talents against BigTech.



### Implications for wholesalers

- Rethink operating model to capture the value of data growth before being disintermediated by hyperscalers.
- Invest in skills enhancement and recruitment to assist the transformation of telcos products and services.



### Implications for wholesalers

- Engage in IT transformation (stack, process, etc.) to enable softwarization.
- Focus on optimization of 'lead to cash' process.

## #6 Uber-model for telcos? The future is one-click softwarisation

- As the traditional wholesale model is challenged by price pressure/margin squeeze and hyperscaler competition, operators need to find new ways of differentiation.
- Many telcos do not want to own their own infrastructure given CAPEX-intensity.
- Virtualization/softwarization is seen as the opportunity to improve customer experience while deploying additional higher value services to customers (e.g., managed networks).
- Challenge for operators is to find the right talent to support lead the mindset/culture change.

## #7 The 'war for talent' intensifies

- Negotiations with hyperscalers, softwarization/virtualized networks, and next-gen infrastructure/technologies require operators to build new capabilities, skills and culture.
- At the same time, the new skill set is hard to find in the GCC.
- Traditional hiring models of telcos (e.g., DC employees need to be engineers) will no longer suffice to satisfy the need for talent in organizations.



### Implications for wholesalers

- Rethink positioning and culture to hire the best talent in the market.
- Focus on hiring talent from different backgrounds and training them on the job.



## Deep-dive: Specific learnings in the Middle East (GCC countries)



### Cables, cables, cables – there is more to come

- After years of announcements, the appetite for subsea cable investments/deployments is not yet satisfied.
- Both Google and Facebook are each planning another cable connect Europe with Africa (in addition to existing plans), resulting in both having full redundancy towards the continent.
- At the same time, Europe – Asia axis has caught the attention of hyperscalers, with deployments beyond the existing plans (i.e. BAR, BlueRaman) being discussed – particularly towards India.

- While most carriers having already adjusted their operating model and partnering with hyperscalers (e.g., Vodafone, stc), there are some that stick to the traditional carrier consortiums.

### Implications for wholesalers

- Pivot investments from hub-to-hub connections (e.g., Europe – Asia) to intra-regional routes.
- Develop tailored hyperscale products across subsea cable network (e.g., multi-Tbps capacity, 3rd redundancy capacity, etc.).

### IXs' everywhere, but still no truly open exchange model

- After UAE, Bahrain, KSA and Oman, Jordan and Iraq have announced the launch of an Internet Exchange point.
- Most Internet Exchanges are operated by leading international providers (e.g., DE-CIX, AMS-IX, LINX), with DE-CIX being the top dog (operating exchanges in UAE, Oman and Iraq).
- With operators having made peace enabling internet exchanges, throughputs are increasing exponentially with latency to content being the driving differentiator.

- What has not yet happened is the creation of a truly open environment as most IXs have one anchor telco (client/host), with redundancy still being sourced from Europe (FLAP).

### Implications for wholesalers

- Enable FLAP-like concept for the GCC (neutral party is likely to be best positioned to partner with all existing IXs and to enable an open exchange of content).
- Accelerate content hosting as latency becomes king; specialise to drive differentiation.



## Build them, and they shall come: DC announcements in the GCC are only the start

- The GCC has experienced a lot of recent growth in DC, with countries and operators announcing major plans (e.g., KSA: 2022: 100MW; 2030: 1,300MW).
- However, hyperscalers state that those announcements are not enough, urging especially to ramp up immediate deployment plans (currently 2-3 years lead times are seen as too long).
- At the same time, hyperscalers highlight that data

centres are a utility (get the job done; best price wins) and not a prestige project, as operators spend too much time and energy on the outer design of the data centres (e.g., entry halls).

### Implications for wholesalers

- Accelerate DC deployment plans, pre-provisioning as much capacity as possible.
- Ensure execution discipline as crucial success factor for operators to stem deployments while adhering cost efficiency.





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