

# benchmark-it performance

This new 297-page report analyses the market for IP VPN services. It profiles and compares 30 providers of IP VPN services with a focus on the Global, pan-European/European regional, French, German and UK markets.

The report includes the following:

- Profiles of 30 carriers:
  - Company Background
  - IP VPN and Related Services
  - Target Customers and Customer Base
  - Comments
  - Summary Tables Of Customer & Product Information

Who should buy the report?

- Operators selling IP VPN services
- Companies investing in or supplying the above
- Companies looking to take IP VPN services

Key benefits:

- Source of key information on 30 service providers' IP VPN portfolios and customer bases, including up-to-the-minute information on customer numbers, contracts, product details, etc.
- Market analysis and benchmarking
- Gives customers time to focus on analyzing implications and trends, and to formulate action plans

Key conclusions:

- IP VPNs are the corporate ecosystems of multi-site businesses around the world, but the market is reaching maturity;
- Although the market will see growth from further penetration into the SME segment, growing traffic and the adoption of a wider range of applications over IP VPNs, this will be counteracted by business failures, corporate cut-backs and pricing competition;
- The SME segment represents the best on-going market opportunity, with the mid-market sub-segment continuing to be underserved by providers relative to other target customer groups.

Pricing is £995 for a corporate licence (intranet licence).

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## IP VPN Services

May 2009

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## TABLE OF CONTENTS

<a href="#">Executive Summary</a>	Page 4
<a href="#">Check-List From Last Report</a>	Page 5
<a href="#">Market Analysis</a>	Page 8
 <i>Service Provider Profiles</i>	
 <a href="#">Arcor/Vodafone Germany</a>	 Page 12
<a href="#">AT&amp;T</a>	Page 18
<a href="#">Bouygues Telecom</a>	Page 33
<a href="#">BT Global Services</a>	Page 40
<a href="#">BT UK</a>	Page 56
<a href="#">Cable &amp; Wireless</a>	Page 67
<a href="#">COLT</a>	Page 75
<a href="#">Comptel</a>	Page 86
<a href="#">Deutsche Telekom</a>	Page 91
<a href="#">Easynet</a>	Page 99
<a href="#">Ecotel</a>	Page 107
<a href="#">France Telecom</a>	Page 112
<a href="#">Global Crossing</a>	Page 121
<a href="#">Interoute</a>	Page 136
<a href="#">KPN International</a>	Page 144
<a href="#">Level 3</a>	Page 151
<a href="#">ntl:Telewest Business</a>	Page 157
<a href="#">NTT Com</a>	Page 169
<a href="#">Opal Telecom</a>	Page 175
<a href="#">Orange Business Services</a>	Page 180
<a href="#">QSC</a>	Page 200
<a href="#">SAVVIS</a>	Page 207
<a href="#">SFR/Neuf Cegetel</a>	Page 220
<a href="#">Sprint International</a>	Page 225
<a href="#">Tata Communications</a>	Page 233

<a href="#">THUS</a>	Page 243
<a href="#">T-Systems</a>	Page 249
<a href="#">Verizon Business (International)</a>	Page 258
<a href="#">Versatel Germany</a>	Page 275
<a href="#">Virtela</a>	Page 282

*Service Provider Benchmarking*

<a href="#">Global Service Providers</a>	Page 290
<a href="#">Pan-European/Regional Service Providers</a>	Page 294
<a href="#">Service Providers In France</a>	Page 295
<a href="#">Service Providers In Germany</a>	Page 296
<a href="#">Service Providers In The UK</a>	Page 297

## Executive Summary

IP VPNs have become the corporate ecosystems of multi-site businesses around the world. The market is now, however, reaching maturity and is likely to show little, if any, growth this year. Such growth as there is is being driven by continued penetration into the SME segment, an increasing amount of individual customers' expanding traffic being carried by IP VPNs and by the adoption of a wider range of applications running over IP VPNs. Counteracting this growth is a combination of business failures, corporate cut-backs and pricing competition.

During the last year, service providers have continued to expand the reach of their IP VPN network coverage both within countries and between countries. They have also expanded the breadth of access methods available, with Ethernet proving ever more popular for company sites and with a growing choice of access options for smaller offices and travelling employees.

Essentially, the fundamental IP VPN platforms have tended to stay the same, with product development focused more on complementary services such as applications management and performance enhancement, both through professional services and tools. There has also been a growing range of value-added options becoming available, including the full suite of conferencing services, unified communications and messaging, and tighter integration with end-user desktop applications, as well as the continued migration of voice services from traditional platforms to hosted IP telephony and associated value-added applications.

With the market maturing and competition across the telecoms sector as a whole remaining intense in every market, there has been further consolidation on the supply side. A number of alternative service providers have been acquired at both a national and international level. There has also been a trend for the fixed and mobile arms owned by the same parent to combine in individual national markets as service providers look both to benefit from cost savings and from being able better to offer converged fixed-mobile propositions to customers. Another emerging trend is that of incumbents looking to acquire market share in the SME segment in parallel with existing SME segment players also combining to build critical mass.

One segment that has seen alternative service providers deliver continued success has been at the mid-market level. This is as a result of their being able to work more closely with customers than incumbents, for whom there is a clear cut-off between bespoke solutions for the largest customers and off-the-shelf products for the mass market. Incumbents have noticed this trend and have started to address it with new products and propositions.

The year ahead looks like it will see the continuation of the above trends, driven both by the economic environment and by the continued maturing of the IP VPN marketplace. As ever, those service providers that can combine customer focus with an efficient operating model stand to continue to gain market share and to grow revenues.

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**Virtela**

**Company Background**

Founded in April 2000, Virtela is a virtual network operator based in the U.S. and serving multi-national customers across six continents.

“Today’s global CIO is continuously challenged to do more with less: less staff, less time and smaller budgets. That’s why Virtela has taken the VNO model to the next level.

Known as the ‘Super’ Virtual Network Operator, we go far beyond simply providing network sourcing. We design, build and manage complete network solutions to meet our customers’ global requirements in the most competitive ways possible.

Virtela enhances the way our customers do business by customising a solution which fully integrates into existing network architecture.

Through our Regional Policy Centres (RPCs) located around the world, our customers reap the benefits of a traditional VNO, a large network integrator and managed service provider. Virtela packages our industry expertise with the cost benefits of a traditional VNO, all while providing each customer the advantages of our intelligent multi-carrier routing for the best global performance and resiliency.

We leverage industry-leading hardware and software resources to provide a wide variety of managed network services tailored to each customer.

Our Super-VNO advantage is just one more way Virtela combines our knowledge with vast global resources to offer one-of-a-kind solution development, network integration and managed services. It’s your key to best-in-class performance and a more powerful competitive edge.”

“Currently serving customers across six continents, Virtela’s network reach spans more than 190 countries. Virtela’s unique Global Service Fabric offers the foundation for delivering critical applications via the company’s acclaimed service methodology, with a services suite that includes MPLS- and IP-based virtual private networks, security services, remote monitoring and management of WAN/LAN infrastructure and converged services.”

Virtela’s network infrastructure stretches to more than 190 countries. The company has over 5,000 access points in its virtual network. DSL-based VPNs are available in 120 countries and Ethernet-based VPNs in more than 50.

As a private company, Virtela does not post revenue figures, but it claims to have achieved a 292% growth in revenues over the last five years. Revenues grew by 25% between its 2006 and 2007 financial years. The company is net income positive, in addition to being EBITDA positive.

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**IP VPN Services**

- Intelligent VPN (iVPN):
  - Native MPLS available in 172 countries;
  - In-country depth with dual city nodes, Ethernet, DSL, private line and Internet access;
  - Four access resiliency options as standard;
  - Fully automated incident detection and electronic notification;
  - Pre-emptive problem management;
  - Range of management options, including the supply and management of CPE;
  - Local support in 70 countries;
  - 6 CoS (Classes of Service):
    - 1) Voice – such as VoIP and PSTN breakout;
    - 2) Assured Data – ERP applications or real-time multimedia, such as video-conferences and other interactive services;
    - 3) Assured Data – ERP applications;
    - 4) Assured Data – ERP applications;
    - 5) Assured Data – ERP applications;
    - 6) Standard – e-mail, intranet, file transfer protocol (FTP), Internet breakout telnet and other network management;
  - Leased line access up to T3/E3 for Class 1, 2 and 3;
  - MobileXpress remote access service – see below;
  - Supports communities of interest intranets and extranets;
  - Supports a range of value-added BT Managed Application Services, including:
    - Application Assured Infrastructure:
      - Base of over 240 customers with over 30,000 sites;
      - Over 200 trained AAI experts;
      - AAI Consultancy Audits – typically one-off or repeatable, addressing issues of pre- and post-deployment:
        - Applications Landscape Audit – analysis of existing applications;
        - Troubleshoot Audit – targeting specific problems;
        - Profiling Audit – delivers post-deployment of specific applications;
        - Impact Analysis Audit – using inputs from earlier audits, infrastructure modelling and carrying out of ‘what if’ scenarios;;
    - AAI Continuous Performance Management:
      - Application Landscape Monitoring – on-going analysis of existing applications;

**SAMPLE PAGE****Target Customers**

Versatel targets the full range of customer segments: consumers, businesses and other operators. Businesses directly targeted range from SMEs to 'key accounts' (corporates).

Versatel's strategy for the business segment is as follows:

- Clear focus of direct sales on SME and Key Account customers:
  - Keeping and up-selling the existing customer base;
  - Revenues as key controlling figure instead of order entry;
- Adjusting the sales approach for SoHos:
  - Shift towards cost-efficient indirect sales approach;
- Establishing a fifth sales region in one of the core economic centres: the Rhein-Main region.

Versatel works with a range of local partners to sell its services in Germany, as well as using its direct sales channel.

Known customers include:

- DCVD (DaimlerChrysler Vertriebsorganisation Deutschland) (automotive sector) – 3-year contract linking over 200 locations and six central sites using an MPLS-based IP VPN;
- LBS Westdeutsche Landesbausparkasse (finance sector) – linking 300 locations with the headquarters;
- Berliner Volksbank (finance sector) – 3-year deal linking the headquarters with 48 associates and 40 branches across the Berlin/Brandenburg region;
- Daimler (automotive sector) – 3-year contract extension to 2011.

**Comments**

It is clear that for Versatel, as for many alternative telecoms service providers, the growth opportunities offered by IP VPNs, together with the value-add they offer in terms of customer proximity and hence loyalty, is key as revenues from traditional fixed voice services continue to decline. IP VPN services also offer the opportunity to address the next layer up of business customers from the SME segment (low-end corporates), which history has so far shown to be an attractive proposition for companies like Versatel.

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**Customers**

Target customers by segment (e.g. MNCs, SMEs)	Multi-national corporations – the top 5,000 MNCs
Target customers by vertical sector (e.g. Manufacturing, IT)	All sectors, but with focus on government, transport & logistics, financial services and manufacturing/pharmaceutical
Target geography (e.g. Worldwide, USA, North Germany)	Global, especially to leverage reach to hard-to-connect countries
Number of customers/ % of bids including IP VPNs (indicative if not available)	More than 314,000 IP VPN connections in 151 countries
Revenues from IP VPN services (€or %)	-
Channels to market (direct versus indirect)	Direct and indirect

**Products**

IP VPN	IP VPN
MPLS	IP VPN
IPSec	Small Office Solutions
Remote access	Yes, 150 countries
CoS availability	5
xDSL capability	Business Everywhere
Wi-Fi capability	Business Everywhere
Applications management	Enterprise Application Management, Network Boost
Voice support	Yes
Ethernet capability	Yes
Other value-added services (e.g. extranet)	Security, satellite access, managed LANs, telepresence, integration with mobiles, consulting services
On-line management functionality	Via Webvision customer portal
SLAs	Covering availability, transit delay, packet loss and jitter, as well as time to repair and service delivery
Latency	Yes
Packet delivery	Yes
MTTR (mean time to repair)	Yes
Geographic reach/number of PoPs	More than 314,000 IP VPN connections maintained in 151 countries
Equipment supplier(s)	Cisco (Gigabit Switch Routers), Cisco PE routers (Edge Switch Routers and 7500 Series Routers). Single global platform made up of Cisco and Nortel equipment

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**Benchmarked Suppliers**

**Global Service Providers**

Service Provider	Target Customers	Target Sectors	Customers	Other Customer Info.	Channels	CoS	Voice	On-line Management	SLAs	Latency	Packet Delivery	MTTR	Reach
AT&T	Multi-country, multi-site corporates	Vertical sector approach, all sectors	N/A	Enterprise IP data services revenues of \$3.4 billion in 2008	Direct and through partners, notably IBM	4	Yes	Yes	Yes, Standard and Gold	65ms Western Europe backbone	Up to 99.9%	4 hours	MPLS in 155 countries from more than 3,800 nodes
BT Global Services	MNCs, large corporates and organizations	Largest sectors are UK government, finance and 'brands'	Over 2,000 clients and 65,000 ports connected to the platform globally	N/A	Direct and indirect	6	Yes	Yes	End-to-end, service delivery and availability guarantees	<60ms intra-Europe, <100ms trans-Atlantic	Packet loss <1%	N/A	Native MPLS in 172 countries. More than 1,200 PoPs
Cable & Wireless	Corporates, public sector organisations in the UK, selected MNCs, carriers	Focus on financial services, insurance, energy & utilities, transport & logistics, retailers, mobile enterprises, resellers, carriers and the public sector	42% of revenues from IP, data and hosting services in 2007/08. 43% in first half of 2008/09	Over 200 MNC customers. Target customer base of around 3,000 businesses and organizations	Direct, indirect and wholesale	5	Yes	Yes	Provisioning times, changes, availability, latency, jitter and packet loss	Specified per CoS	Specified per CoS	4 hour response time	PoPs in over 80 countries, 153 countries reached

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