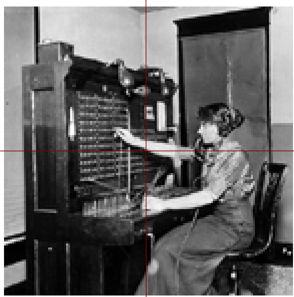
TELECOMMUNICATIONS INDUSTRY REPORT

Report



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Abstract

The Telecommunication industry is one of the leading sectors in the adoption of e-business applications.

The liberalisation promoted by the European Union has had a strong impact on the sector, although the structure of the industry is still characterized by a few large competitors, who are facing the challenges of a dynamic sector.

Contents

Industry definition and characteristics

Definition of the industry

According to the European classification of activities (NACE Rev.1.1) the telecommunication sector is more than just telephone services. In addition to the transmission of information this group also covers activities which offer access to a certain networks including the internet.

The definition of the sector (64.2) includes the distribution of sound, images, data or other information via cables, broadcasting, relay or satellite networks.

It encompasses telephone, telegraph and telex communication, the transmission (but not the provision[1]) of radio and television programmes, internet access provision and the maintenance of networks.

Industry background

In NACE Rev.1.1 telecommunication services are put together with postal services in the activity classification, because until a few years ago the state owned postal service in each European country also dealt with telecommunication as a monopolist.

For some years, the two services have become very differently structured markets, due to the change of the regulatory framework of telecommunication activities.

The evolution of the regulatory framework has had a remarkable impact on the sector.

The European Commission has played a crucial role in establishing a regulatory environment in order to stimulate the creation of a very competitive telecom services market.

The effect of the transposition of the European directives has been that the former state monopolies now face competition in their home markets.

The Telecommunication sector experienced considerable growth in the second half of the 1990s, before deregulation and privatisation of former players changed the landscape. In recent years the increased competition has caused a fall in prices, including incumbent's telephone services. Reflecting an approach by the European regulatory framework to promote consumers' interests.

However, the new competitors have been only partially successful because the demand of services has been weaker than expected.

Looking at data, in 2003, the EU-15 telecommunications companies had a production value of 277 billion Euros and created a value added of 138 billion Euros in telecommunications services.

The four largest member countries (Germany, UK, Italy and France) account for almost 80% of the telecommunications value-added.

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[1] NACE 92.20

Production value and value-added in European countries for telecommunications services (NACE 64.2)

Telecommunication Services		
country	production value 2003	value-added 2003
	euros (million)	euros (million)
be Belgium	:	:
dk Denmark	:	:
de Germany (including ex-GDR from 1991)	54.966,5	31.478,1
es Spain	24.267,0	15.228,1
fr France	52.974,2	23.485,5
ie Ireland	:	:
it Italy	46.349,0	22.086,5
lu Luxembourg (Grand-Duché)	:	:
nl Netherlands	:	:
at Austria	4.755,2	3.346,3
pt Portugal	6.629,1	3.081,7
fi Finland	6.196,8	2.150,9
se Sweden	9.572,2	3.455,8
uk United Kingdom	72.027,8	33.968,4
other	:	:
eu15 European Union (15 countries)	277.737,8	138.281,3

Source:Eurostat, processing by ICE

Industry characteristics and players

Many firms have been created as a consequence of liberalisation, but the telecommunication sector is still characterized by a few large firms, often belonging to former monopolist.

Main characteristics of Telecommunication Sector

Sub-sector	Telecom Services
Market	Large number of customers
Industry structure	Capital intensive
Company size	Large
Service	Infrastructure-based services
Business model	Large economies of scale

Source: e-Business W@tch

The European telecom services industry enjoys a frontrunner position in the global market with six big telecom services companies.

Ranking of the 10 world leaders by telecom revenues in 2002

Rank 2002	Operator	Country	Revenues 2002 (USD million)
1	NTT	Japan	87,114
2	Verizon	USA	67,625
3	Deutsche Telekom	Germany	50,528
4	Vodafone	United Kingdom	45,601
5	France Telecom	France	43,855
6	SBC	USA	43,138
7	AT&T	USA	37,827
8	Telecom Italia	Italy	28,610
9	British Telecom	United Kingdom	28,114
10	Telefónica	Spain	26,739

The 2002 ranking does not include MCI WorldCom (N°7 in 2001) which announces revenues of 13.8 billion USD for the second half of 2002. The figures for BT are dated March 2003 (April 2002 to March 2003). USD = 1.063 EUR

Source: e-Business W@tch

Newcomers are also concentrated into larger groups because telecommunications services are largely infrastructure-based services, therefore the structure of the sector requires large inputs of capital and technology.

Size class distribution in Telecom services

	Enterprises with ... employees			
Total (EU-14)*	1-9	10-49	50-249	250+
Number of enterprises	Structure in % of total			
12,929	84,1	10,6	3,5	1,7
Number of person employed	Structure in % of total			
1,061,125	2,6	3,1	5,1	89,3

Source: Eurostat

Among these firms, there are different kinds of players involved in the telecom service value chain.

Suppliers sell row materials like electronic components (semi-conductors, fibres) or telecom equipment (antennas, routers, terminals) to global telecom services operators.

Infrastructure, fixed or mobile operators provide services to distributors and customers that is large companies, SMEs, liberal professions and consumers.

Telecommunication sector e-business

General aspects and statistical usage of e-business tools

The Telecommunication industry is one of the leading sectors in the adoption of e-business applications.

The industry is in top position in terms of connectivity of enterprises, broadband internet access, CRM adoption, internal processes, automation, marketing and sales.

Markets are evolving at the global level producing increasingly complex structures for the sector. The growing demand for customised services gives to CRM a critical role considering the number of large companies that have to deal with a large number of customers and evolve on tha basis of their changing needs.

CRM usage and online sales activities

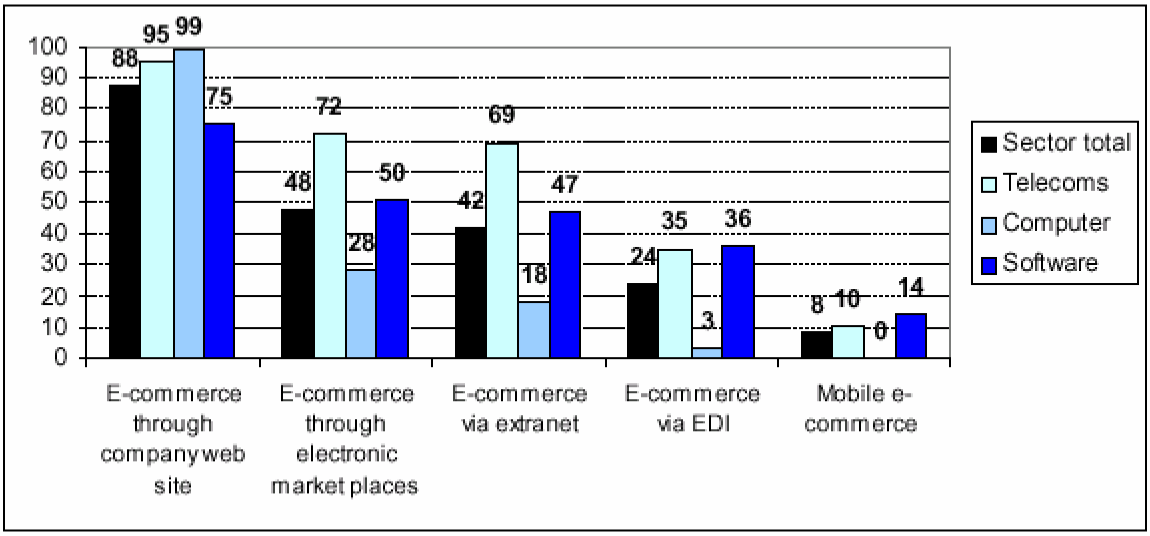
	CRM usage		Selling online		IT system integration with customer(s)	
	% of firms	% of empl.	% of firms	% of empl.	% of firms	% of empl.
Combined ICT services	15	36	15	24	39	53
Telecom	*19*	*36*	*29*	*37*	*49*	*62*
Computer	*14*	*26*	*19*	*23*	*29*	*48*
Software	*15*	*42*	*9*	*20*	*47*	*51*
Business services	4	13	3	11	32	38
Craft & Trade	4	13	9	16	27	31
Health and social work	3	7	2	7	22	28
Retail	3	7	8	17	21	22
Tourism	5	14	33	37	27	23

Source: e-Business W@tch (2004)

Broadband internet access is changing the way how voice and data communications services are distributed and delivered.

The total number of broadband access connections in the EU-15 reached 22.9 million at the end of 2003, a 70% increase in only 6 months. Such high speed communication technologies make possible Voice calls over the Internet (VoIP), TV and video over DSL.

The main online selling channels used in the ICT services sector in 2003



Source: e-Business W@tch (2004)

Moreover, telecom operators digitised large portions of their networks in the 1990s, allowing flexibility in billing and different additional services (e.g. simple call forwarding, caller identification).

In general, the degree of adoption of e-business solutions depends on the network capacity that firms can use. The more bandwidth their systems have, the more services can be used.

High speed connections make it easier for many e-business services and tools such as auctions.

Large companies can also benefit from using the ASP model that represents a key tool to manage a large customer base.

E-marketplaces are used mainly to reduce costs, with the auction tool being frequently used.

Trends

Today, the European telecom services market is growing at a slower rate compared to previous years. The slowdown has occurred mainly for fixed telephony, while mobile services and internet use are growing at a high rate. The main sources of growth in the sector come from the acceding Countries where former operators have been completely or partly privatised.

The popularity and growing use of the Internet has caused an explosion of data services traffic, especially e-mail, web browsing and professional applications. Data is expected to overtake voice as the main source of traffic on global telecommunications networks in the coming years, and this represent the main challenge of telecom services operators today.

Moreover, decreasing costs for broadband access to the web could stimulate greater use of e-business applications also by smaller firms, and allow them both to save money and increase productivity.

Industry e-marketplaces

Currently there are 20 active telecommunication and bandwidth e-marketplaces in the eMarket Services directory (December 2005).

All the emarkets in the sector require a registration to join their platform, and in 9 cases an on line form is available.

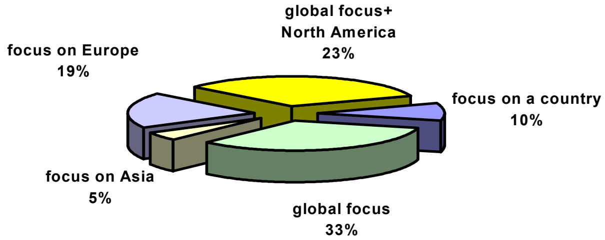
Geographic distribution and focus

From a geographic point of view, e-marketplaces in the telecommunications sector are fairly distributed between USA and Europe.

Their geographic focus (in other words geographical areas where are located their buyers and sellers) is mainly worldwide (33%). In addition to their global vocation, many e-markets focus on North America (23%).

Europe and North America percentages coincide with the large presence of e-marketplace's head office.

Headquarters	N°
Usa	9
UK	3
Spain	2
Italy	1
France	1
Taiwan	1
Turkey	1
Germany	1
Sweden	1



Product and client profiles

On these platforms they usually trade telecommunication services, Voice over IP, switched minutes; wholesale voice traffic, bandwidth, and equipment related to telecommunication industry are traded.

The participants are telecommunications service providers, VoIP providers, hosting companies, data centres, content providers, system integrators, resellers and IT companies.

The most used trading tool is Request for Quotation/Proposals/Bid function. It means that the seller or buyer sends a request to sell or buy something, usually by filling out an on-line form.

The request is then put on a list on the site or sent to the trading partners by email to be answered. Auction, reverse auction and on-line order are also often used.

Industry e-marketplace directory

Name	Country HQ	URL	Languages available
ACE Suppliers	Taiwan	vww.acesuppliers.com	Chinese, English, Japanese
Bandwidth Market	USA	vww.bandwidthmarket.com	English
Band-X	UK	vww.band-x.com	English
COLOTRAQ	USA	vww.colotraq.com	English
DCI WebTradeCenter	Germany	vww.webtradecenter.de	German
Digital Broadcasting.com	USA	vww.digitalbroadcasting.com	English
Doppio Transito	Italy	vww.twinscom.it/DT	English, Italian
eu-supply.com	UK	vww.eu-supply.com	Dutch, English, Finnish, French, German, Spanish, Swedish
Iber-X	Spain	vww.iber-x.com	English, Portuguese, Spanish

Phonetrade.com	Sweden	vww.phonetrade.com	English
RF Globalnet	USA	vww.rfglobalnet.com	English
SoloMoviles	Spain	vww.solomoviles.com	Spanish
TeleBright	USA	vww.telebright.com	English
TelecomExnet	Turkey	vww.telecomexnet.com	Arabic, Chinese, English, French, German, Italian, Japanese, Korean, Portuguese, Russian, Spanish, Turkish
TELECOMFinders	USA	vww.telecomfinders.com	English
Telezoo	USA	vww.telezoo.com	English
The London Satellite Exchange Ltd	UK	vww.e-sax.com	English
Tradingcom Europe	France	vww.tradingcomeurope.com	English, French, German
Wireless Design Online	USA	vww.wirelessdesignonline.com	English
Wireless Networks Online	USA	vww.wirelessnetworksonline.com	English

Sources and References

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