

Emerging markets offer \$200bn ICT opportunity

Roger Field, *June 2nd, 2011*

The value of the ICT market in the Middle East, Africa and South East Asia is expected to grow by \$60 billion in the next three years to reach a value of \$228 billion in 2013, according to research from Delta Partners, a consultancy and investment firm specialising in the telecoms sector.



Dimitris Lioulias, a manager at Delta Partners, described the opportunity for telecom operators as “significant” with all three regions expected to grow by 8% in the next three years.

However, he added that the “window of opportunity” for aspiring telecoms operators is narrow, mainly because competition is increasing on the access side and IT players are “moving aggressively” to lock in long-term contracts with enterprise and SME customers willing to outsource various networking and IT functions.

The research added that the predicted growth is heavily influenced by “structural factors” in each of the three markets.

In the Middle East, slow deregulation of the telecoms markets is hindering strong development of ICT, but a “vacuum in the local SME and corporate markets” offers potential for growth, according to Delta Partners.

Meanwhile, the research indicated that poor fixed infrastructure was one of the factors hindering growth in Africa’s telecoms sector. In South East Asia, business process outsourcing is a strong growth driver in the ICT sector.

Jacobo Garcia-Palencia, a partner at Delta Partners, said: “Operators have to consider a number of key success factors, such as their relative size, assets, capabilities, and resources before they venture into ICT, as they have to devise their own clear strategy on how to approach the opportunities and risks entailed by the ICT market.

"The actual transition into an ICT player is a long-term process that requires strong top-management support and disciplined execution to make it happen.

"The ICT opportunity is sizable and it is gathering further pace but the urgency to act is not the same for all players. Operators have to carefully assess the possibilities in their own market environment and transform their mindset and operating model to increase their chances of becoming relevant in the ICT space," he added.

For the purposes of the report, Delta Partners divided the ICT sector into six categories of services, from more network-centric to more IT-centric services.

Network-centric services include core voice and data services, managed services and M2M, while IT-centric services consist of IT professional services such as business process outsourcing and packaged software/hardware.

These services range widely not only in terms of revenue potential, but also in terms of EBITDA margin, with higher margins for the network-centric services at 15-45%, and lower margins for more IT centric services at 3-25%.

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