



Capable connections

With businesses actively embracing technology and managed services to reduce costs, there has been no dearth of demand for Tata Communications' services and solutions, says **N Srinath**, MD, in an interview with *Tata Review*

The worldwide economic slowdown seems not to have affected Tata Communications in as significant a manner as others. Why is that, and how have you been able to grow your businesses during the downturn?

Although fiscal 2008-09 witnessed an unprecedented slow down of the global economy, the telecommunications sector has continued to perform reasonably well. As businesses seek to reduce costs and become more efficient, they are increasingly turning to technology and networking as key enablers in this process. Additionally, many businesses are seeking to expand their presence in the emerging markets of Asia, Middle East and Africa to offset the decline in other markets. Tata Communications' portfolio of services and solutions, and its infrastructure and capability in the new growth markets of Asia and Africa, have enabled us to create growth opportunities even in difficult market conditions.

What are the key financial challenges in expanding globally at a rapid rate, as Tata Communications has been doing? What's the larger picture of the opportunities that such an expansion offers?

Telecom is by nature a capital-intensive business. Growth in volume continues to be robust in many segments, necessitating ongoing expansion in capacities and capabilities in key markets. Further, evolving customer needs and the challenge to constantly differentiate

oneself from the competition requires the continuous introduction of new services and technologies. Identifying and investing in growth markets of the future such as Africa has also been one of our focus areas.

As the dependence on communications grows globally at both the individual and enterprise level, there are many opportunities for us. Raising appropriate funding, however, is a challenge for us, as it is for many other companies in this industry.

Tata Communications has been hyperactive in forging partnerships with different companies in different parts of the world. Which are the most significant of these and why?

Based on the experience of other players in the market, we identified partnerships as a key element of our strategy some time ago. In today's context, it is unrealistic to expect that a single service provider will be able to serve the needs of all major customer segments on its own. Network reach, capability, scale and availability of capital were all important considerations in determining what we would do ourselves, and what we would seek partners for.

For example, in the wholesale voice business we signed an agreement with British Telecom to become their exclusive partner for terminating their long distance voice traffic globally. We launched the Tata Global Network - Intra Asia (TGN - IA) cable system — the region's first, direct, point-to-point and express optical fibre submarine cable — connecting Singapore, Hong Kong, Japan, the Philippines and Vietnam in partnership with other regional carriers. We also announced a partnership with Starwood Hotels & Resorts Worldwide in June 2009 to roll out public TelePresence rooms worldwide.



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These have enabled us to leverage the capabilities and strengths of our partners to expand our operations or enter new markets or offer new services better and faster than we would have been able to on our own.

You have recently made a clutch of investments in the Asia Pacific region. What's the idea behind this and what are your expectations of this market?

The Asia Pacific region, where we have already announced investments of more than \$400 million, is a major element of our strategy of tapping and enabling emerging markets. It is expected that Asia, and particularly India and China, will emerge as the engines of growth in the 21st century, and we are positioning ourselves to be a key player in that space.

How do you see your investments in other global markets panning out? What are the specific challenges in different geographies and how is Tata Communications addressing these?

In the current economic environment the challenge across the world is to deliver more for less. Our customers are increasingly looking towards us to play a greater role in better enabling their own businesses. Our role is constantly evolving from that of a pure infrastructural and traditional telecom player to one offering more value-added or managed services, where customers pay not on traditional bandwidth models but on per transaction or per use basis. That is the path that we see going forward and a lot of our investments are with that intent.

The growth in our managed services business over the last few years has been very encouraging. It has enabled us to offer services that are best-in-class in the global market. Tough economic conditions and cost pressures are getting businesses to embrace managed services actively, enabling them to focus on their core competencies and align their IT and network costs to their business model.

In terms of challenges, the real issue is largely around creating the right capability and cost structure in the system to be able to pull this off. We have followed a model of locating skills

wherever they are best available, and of siting the back office or shared services in a cost-effective geography like India. We have built all our management processes and systems around such a structure.

Tata Communications is as much a global and globalised company as any enterprise in the Tata family. What are your experiences on the internationalisation journey?

Our major learnings have been around exploiting synergies. Our attempt has been to incrementally grow our business such that every new piece not only brings in new standalone market opportunities, but also increases the market potential of our existing operations. For example, our South African venture not only opened up a new market for us in terms of local companies that we could serve, but also provided us one more location from where we could serve our customers in other geographies. Already we have seen several of our existing customers in the US and Europe use our South African presence for services into those geographies as well.

Building a strong capability in the organisation by leveraging the best skills available is also important. When we merged one of our acquisitions, Teleglobe into Tata Communications, we found that the voice team that we acquired in Montreal had far stronger capability managing the voice business than our own team in India. It was far easier for us to integrate the India team into Montreal than the other way round. This has happened in several instances and the challenge for us was to put in place the processes and systems to manage a global organisation.

Could you tell us about the global advertising campaign that Tata Communications launched a while back?

The global advertising campaign was driven by the fact that we, being a relatively small operator competing in a global market, were not as well known as we needed to be. The change of name of the company to the Tata brand in 2009 helped to get us much more recognition among our target segments (due to Tata brands such as Nano, Corus, Jaguar Land Rover, etc). The use of the Tata brand also

helped us consolidate all our multiple brands. The campaign was aimed at being the first step in creating greater brand awareness amongst our target segments of large multinational corporations. We will be taking this further through more brand building initiatives.

What have been the standout offerings from Tata Communications over the last year in terms of innovativeness and revenue potential?

We believe that several of our managed services offerings are at the leading edge globally. Collaborative technology offerings like managed TelePresence which offers a near real-life teleconferencing experience, and the concept of shared public rooms that we believe we pioneered, will eventually change the way people and businesses collaborate. Our content distribution network based services, which enable the delivery of better quality video services over the internet, even on lower bandwidth access networks, are quite a unique offering to media businesses.

We have been expanding our submarine cable network in Asia, Middle East and Africa; these cables will play a major role in serving the exponential growth in demand in these regions. We have also made major strides in a variety of services around our IP network; these will help our customers (ISPs, businesses and consumers) have a better experience in the Web 2.0 world.

What do the coming two years hold for Tata Communications, as an organisation and in terms of revenue growth?

We have undergone a major transformation as an organisation over the past few years. We are focused on achieving and retaining leadership in all our key market segments. We are global leaders in several segments and knocking on the doors in several more. Our intent is to continue to build on what we have achieved so far and, more importantly, to be recognised by our customers as a trusted partner and a global best-in-class service provider. We can do this only if we build a great organisation, attracting and retaining the best talent and developing appropriate organisational systems. ●