

Let's Talk

E-zine edition 05
BEYOND EXPECTATIONS,
HOW TO ACCELERATE GROWTH



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From the desk of Edwin Hageman

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Welcome to the fifth edition of Let's Talk e-zine



This edition is mainly around “How to accelerate Growth” in the Benelux, Europe, and Emerging Markets like Asia Pacific. We are covering how employees collaborate across borders in a secure way. We question how companies deal with the new way of working, social media and the cloud. And we investigate what is the real investment opportunity in Asia for European companies.

We have interviewed key experts like IDC's Chris Barnard, Marco Gianotten from Giarte, BT's futurologist Nicola Millard (Bring Your Own Device – the new way of working), BT financial community expert Chris Pickles and more.

Since we launched the 'Let's Talk' initiative 460 members have joined us on our closed linkedin group and they are now benefitting from the information that we weekly post on our blog.

If you are not a member yet and you wish to network with your peers and our experts and benefit from the free content, I invite you to join me on LinkedIn <http://www.bt.com/be/linkedin> or visit our blog where we post fresh content several times a week <http://www.blog.bt.com/LetsTalk/>.

I do hope you will find this edition of the e-zine interesting and I am looking forward to talking to you at one of our events or on LinkedIn.



Edwin Hageman,
CEO BT Benelux

BT is back

What's on your mind Edwin?

BT is back. We closed our fourth quarter and full year recently and I'm really happy to say that we've made substantial progress in making BT a better business. Our results were better than expected and as a result we're inspiring greater confidence in the market. I think our performance was particularly impressive when you consider that many of our competitors have announced disappointing results.

This is great news for our people and our customers because it gives us the space to invest in new talent and technology. We're able to take a proactive stance in the market again.

How did the Benelux division perform?

We've worked hard to contribute to the turnaround and it shows. We've contributed positively to EBITDA and we managed to attract new and retain existing customers – including NATO, David Lloyd Leisure, Van Oord, Sanquin, LCR Telecom, St. Antonius, Carglass, Ziggo and many more.

What's next?

We've made substantial progress but looking ahead we've got three priorities: profitable growth, customer satisfaction, and the continued transformation of our organization. We need to continue focusing on cost control and efficiency, but simultaneously we're working hard to create a more customer-centric organization. Practically, this means that we're collaborating in an even improved way across

our BT global organization. As I explained in our previous edition of the Let's Talk magazine, we've established a new "4x4" structure in BT Global Services which allows us to leverage our sector-specific and regional expertise much more effectively. For example the success of BT Radianz, our shared cloud infrastructure for the financial markets, is due mainly to our deep expertise and experience in this sector.

What are some of the key trends in the market today?

Growth is clearly back on the agenda. A lot of our customers are investing in Asia-Pac given the region's tremendous economic growth and its rapid transformation into a powerful consumer market. That's why we launched a major programme of investment in Asia-Pac called BT Prosperity, to make sure that we have the talent and resources in place to support our customers' growth plans.

An other key trend, well described by BT's Futurist Dr. Nicola Millard in the magazine, is the tremendous pace of change in the consumer technology market – think smartphones, tablets, social media – and its implications for corporate IT strategies. This is probably accelerating the transition towards the cloud model as companies seek a more flexible but nevertheless secure ICT infrastructure. At one stage we might have 4 generations working side by side. The network – in and outside the company – should be ready for great flexibility and we will need to rely more on our employees instead of trying to secure and control everything.

Business as Unusual

According to BT Futurologist Dr. Nicola Millard, companies need to catch up rapidly to new realities

New technologies are enabling people to change faster than the organisations that serve and employ them. We own computing and communication devices that often outperform anything we're given at work; we're perfectly comfortable with cloud services when most companies have yet to take the leap; and we have access to practically unlimited information, making the very concept of 'knowledge management' obsolete. As consumers we're moving headlong into the digital age, but the companies that serve and employ us still mostly rely on business and management models that are rooted in the early industrial age. It is time that companies catch up. BT Futurologist Dr. Nicola Millard explains.

You have argued that consumers are running ahead of organisations. Could you elaborate?

The type of technology and tools we use at home or that we personally carry around have evolved so rapidly that in many ways we are changing faster than the companies that serve and employ us. Not only are we buying powerful new devices like smart phones and tablet PCs but we're also becoming exceptionally comfortable with cloud-based services – think online banking, email, social networks and so on. Many of the consumer technologies we use personally are far superior to the technologies we have available at work. As a result, many of us are bringing our own devices to work. According to Gartner, 24% of people take a personal device to work, and that percentage is probably increasing rapidly as tablet PCs come of age. This evolution can be very challenging for companies to adapt to or manage.

The behaviour of our staff and our customers is gradually changing, and sometimes in unexpected ways. Smart phones and tablet PCs have opened up a huge window to the internet. We're reaching an age of radical transparency in the way that we can look up practically anything on the things and people around us. It's never been easier to compare products and prices. This has given us more choice than ever before, which is fantastic, but unfortunately our brains don't comply with Moore's Law.

Our brains tend to bottleneck; we simply can't process so much choice and information. That's why we seek advice – and as technology evolves so our advice-seeking behaviour is changing. It's true that the internet has led to more self-service behaviour – we can look things up on the internet before we call a contact centre. While that sort of behaviour is fine for the simpler, transactional tasks, we're often still left with more complex and emotive questions, and for those we turn to fellow human-beings. At BT, for example, we've noticed that our contact centre is receiving an increasing proportion of complex questions. That's a lot harder to manage.

Social media is another challenging area for companies. More than ever, people are turning to their social networks for information – and for venting their own opinions. Social media brings out the best and the worst in people. I like to say that social media allows us to rant, rave and recommend. Most companies are still trying to figure out how they can harness the power of social media. How do you best tap into the insights and opinions of your employees and customers?

What are organisations doing to catch up? Can they catch up?

Speed and agility have become critically important. Indeed, many companies are gradually moving towards a more agile and assetless structure. BT has certainly made a lot of progress

in this regard. For example, we're moving a lot faster via our agile development cycles. Our production cycles – whether in ICT production or in the development of new processes – are now counted in days as opposed to weeks or months. An assetless structure is also part of that puzzle. Do organisations still have to own and maintain so many infrastructures? For example, with regard to ICT, why not encourage people to bring their own IT to work? Why not offer people a personal IT budget of some sort to cover the purchase of a phone and laptop? At work they can then use these devices to access a secure virtual environment based on cloud technology. Ultimately all the company still owns is the data in the cloud, managed and stored securely. Transitioning to this type of future is a major challenge for IT departments because that's not the way they currently work. Today most are still preoccupied with managing their physical infrastructures. I think the psychology of ownership needs to change and that can be very difficult for people. For example, I have a CD collection which I have real difficulty letting go of, even though it is practically obsolete given my use of cloud-based music services. The same applies to IT departments. Ultimately they will need to let go of the server rooms and take the leap into the cloud. But there is opportunity in that too because hopefully it will make people's jobs a lot more interesting; they'll be able to focus on the business side of IT; as opposed to the technical issues.

Are companies ready for those changes?

One of the more positive impacts of the recession is that companies realise they have to become a lot more innovative. Many of the business models and organisational structures we rely on are over 100 years old and took shape in a pre-technology era. Today the technology we have available lets us work in

very different ways. The recession has forced companies to take a good look at the way they are organised. For example they're questioning whether IT is still part of their core business, and rethinking the role of office space. Why do we still need offices when we can work from home or on the road, often more productively than in an open plan office? The answer is that we need offices to socialise; we need them for the human contact, but most offices aren't designed for that purpose.

Can you tell us a little more about BT's use of social media?

At BT we're fairly ahead of the curve in the use of social media, both internally and externally. Three years ago we weren't entirely sure what the business case for social media was but we took steps forward anyway. One convenient aspect of social media is that it isn't expensive to deploy. Externally we rely on some very clever software that monitors what people are saying about us – or to us – on social media platforms. It looks at what is being shared, it looks at virality, it looks at emotional components and so on. In this way we're able to react very quickly and assign the most relevant subject-matter expert to deal with the issue. Obviously we don't always react. For example, if someone tweets a complaint then we typically reply with an offer to help and will only take it further if that person expressly asks for us to do so. We also use Twitter to inform people about technical emergencies. For example, we recently tweeted pictures of a fire at one of our main Central London telephone exchanges, to show people what we were trying to deal with and keep them up to date with what was happening.

On the employee side we're also actively using social media to encourage collaboration: BT opened up Facebook to employees a long time

ago, and we have a number of internal tools such as a blogging platform and a Twitter-like tool that all employees have access to. In this way our people are able to find and access internal expertise much faster and more conveniently. Obviously it also helps that we're a big organisation with a very active research community.

There is a lot of debate about the extent to which people's motivations are changing and the implications of such changes on the way companies organise themselves. Is the change really that fundamental?

Yes, I think so. In many ways we're still reliant on Taylorism as the dominant management model even though it is clearly an expression of its time: when most companies relied on uneducated workforces. Today companies generally have a more educated workforce and there is a lot less factory-type work. Most of the work we do is work that machines cannot do; it is complex work that can't be watched or tracked as Taylor would have it. Hence the carrot & stick motivational model isn't appropriate anymore. Motivation is a much more complex phenomenon. To motivate people you need to make sure that you have the five Cs covered. Culture: do you identify with your organisation? Collaboration: do you enjoy working with your team members? Content: do you have an interesting job, a well-designed job? Curiosity: are you developing personally? And finally control: do you have a sense of control over your situation and destiny? This is where Taylorism really falls down. You can't make high demands on people if they don't feel a degree of control over their situation – that way you only create stress. That's why we can't simply rely on the carrot & stick model anymore. We need to think a lot differently about organisations and

motivations, especially now that a younger generation with different expectations is entering the workforce.



About Dr. Nicola Millard

Dr Nicola Millard is a customer experience futurologist with BT. Despite working for a technology company, Nicola isn't actually a technologist and

combines psychology with futurology to try and anticipate what might be lying around the corner for both customers and organisations (sadly, her crystal ball is currently broken).

Scarily, Nicola has now worked for BT for 20 years. She has done a number of jobs around the BT business, including user interface design, customer service and business consulting.

Nicola likes nothing better than to challenge conventional business thinking; from how call centres are managed to the ways in which people work. She got her PhD from Lancaster University in the UK in 2005, published her first book in 2009 and now spends most of her time doing research, writing blogs, articles and white papers. She also travels around the world presenting at conferences and running workshops with an assortment of organisations including banks, travel companies and retailers, to name but a few.

Reinventing IT

Marco Gianotten, CEO of Giarte, argues that CIOs need to rethink IT if they are to play a meaningful role in their company's growth strategies

Business-IT alignment isn't new as a concept. And yet, in many organizations IT and the business lines couldn't be more estranged from each other. CIOs urgently need to reassess their role in the organization and start pursuing business objectives. So argues Marco Gianotten, CEO of IT benchmarking company Giarte.

How successful are CIOs in supporting their companies' growth strategies?

Over the last few years CIOs have focused almost exclusively on Total Cost of Ownership, but only as it pertains to IT itself. Companies have looked critically at how much they were spending on IT and realized that they could significantly reduce both OPEX and CAPEX. Consequently there has been a major focus on tactics like datacenter consolidation and WAN optimization, all of which have helped to reduce costs. In the process, however, we have lost sight of the overall goal: how can IT help drive growth?

Think about it. If you only spend 1-1½% of your revenues on IT and reduce that cost by 5% what does that mean to the overall business? Nothing.

This is all very ironic. I find that the antipathy toward IT has grown in many organizations, and this while the most successful companies today are very focused on IT. Also, IT professionals have never worked harder – many are close to burn-out – but their influence in most organizations has actually declined. People are bored with IT. IT doesn't just suffer from burn-out; it's become a bore-out too.

So what do you mean when you say that CIOs are rethinking IT?

IT needs to be reinvented or re-orientated toward the enablement of growth. CIOs should be managing the business and not confine

themselves to managing IT budgets. If I, as a CIO, can improve customer experience then I actually matter to the business. That's what I mean with rethinking IT – CIOs need to take responsibility for business objectives.

Say I spend 100 million on IT. Typically, 80% of that budget is fixed on things like the network, support and maintenance. This spend is 'unavoidable'. That leaves 20% free to spend on new initiatives, like innovative projects. When I have to cut 15% of my budget, the easy way out is to slash the 20 million, leaving me about 5 million to invest in business-enabling projects. On a total budget of 100 million that is simply pathetic. All I'm doing is maintaining the status quo. I'm managing the Total Cost of Chaos; I'm ignoring the need to reduce complexity.

As a CIO you're probably spending 95% of your time on managing budgets, leaving you no time to focus on growth and innovation. It won't be on your radar, and as a result you won't be on the radar of the business. It is an imperative to create room for innovation.

Ok, but what do you do about the basics? That's already so difficult to do properly with existing budgets

Obviously you need to take care of the foundations too. If people aren't happy with the basic services then they'll never trust you. You need that basic level of trust – people's confidence in your ability to deliver a reliable service. In addition to trust, however, IT should be creating excitement, and

you accomplish this by creating new and improved experiences for the end user. IT should be making a difference to people's lives.

To illustrate, if my bank card is swallowed by an ATM machine it can take weeks before I receive a replacement, even though my bank is usually immediately aware of the fact. So why don't they immediately send me an SMS and instruct my local branch to prepare a new card? There are so many opportunities to create a better or new customer experience by using technology. What stops IT professionals from grasping these opportunities? They're looking at their servers instead of thinking 'how can we be the best bank in the world?' IT needs to take a lot more initiative, because increasingly they are being sidelined by the business.

You need to have the basics in order and then, in specific parts of the business, you need to innovate and create excitement. This requires people who feel comfortable working in the business; you can't just rely on technical folks.

But surely IT can't please everybody – priorities need to be made?

Absolutely. IT needs the balls to do its job right. You shouldn't just please the business all the time and you certainly mustn't accept complexity. Tough choices need to be made. I'm talking about leadership here, about taking initiative and making hard decisions. Look at Apple: they've created the Model T Ford of mobile devices – a single offering – and yet it delivers the best customer experience in the market. That's a brave decision, especially when other manufacturers offer a portfolio of different mobile devices.

The best banks in the world have built new infrastructure but in a highly focused manner. Cost cutting on the basis of tech optimization

doesn't work unless you're prepared to make hard decisions. When you go shopping for a beautiful, expensive garment you don't complain about the price; but for the cheaper garments you'll look for the discounts. The same holds for IT; you will always be too expensive if you don't deliver a truly great experience. My message to IT: don't simply be a utility, be an experience.

It is astounding what is happening in IT departments at present. I recently visited a company and asked their IT team to tell me about one revenue-enhancing project they were working on now. No one could answer me. They're all very busy, working nights and weekends, and yet they have no project on hand that is directly focused on business growth. It is unfathomable. There are so many potential questions out there: how can I improve customer loyalty? How can I help increase sales in China? How can I protect the company's IP?

Look at the key trends in IT, and then look at the main business trends today. They're totally different. There is no alignment. That's why the business will never like you. 95% of IT-related conversations are about problems and misery. IT people are working so hard, and yet the energy levels are so low. That pattern needs to be turned around. IT needs to take a good look at itself and question its role in the organization.

A final tip for CIOs?

Success isn't necessarily achieved via big, hugely ambitious projects; small initiatives make a difference too, but they need to stand out – the people at the top should be talking about it. The basics obviously need to be good, but it's that little jus, that fabulously fine sauce, that makes all the difference. That's why the Belgians are noted for their cuisine – they really understand that principle.



About Marco Gianotten

Marco H.E. Gianotten (1966) is founder and managing director of Giarte, an Amsterdam-based firm specialized in research, benchmarks and other knowledge solutions for the IT and outsourcing industry. The company's most successful managed service is ITsat, a turn-key solution for turning IT user satisfaction into an auditable and actionable metric. Marco is also founder of the DigitalBoardroom, an interactive knowledge platform for decision makers, and he has published several books on strategic IT and outsourcing management.

A cloud community emerges in the financial sector

Chris Pickles, BT's Head of Marketing for the financial markets sector, explains how leading banks are taking a fresh look at their ICT infrastructure to support new growth strategies

Financial institutions have been hit hard by the financial crisis and most are still firmly in survival mode as they attempt to rebuild trust with their customers and stakeholders. Nevertheless, growth is back on the agenda. According to Chris Pickles, BT's Head of Marketing for the financial markets sector, many financial institutions are tackling growth from two angles: on the one hand they're focusing resolutely on customer service to win back trust and on the other they're pursuing rapidly growing markets in Asia. On both counts, however, banks will need to take a hard look at their ICT infrastructures, since often these are more of an obstacle to growth than an enabler. The success of BT Radianz, a shared cloud infrastructure for the financial sector, shows that progress is being made.

What are the main challenges faced by financial institutions today?

The most important challenge remains the impact of the financial crisis, no doubt. Most banks around the world are still trying to recover from this disaster since the damage was so utterly profound – not only in a financial sense but also in terms of the near total collapse of trust.

With hindsight it's easy to explain what went wrong but at the time people just didn't see it coming. Huge assumptions were made while critically important information was lacking. The lack of transparency was absolutely staggering. Policy makers were beginning to call for stricter regulation but banks maintained that everything was under control. Clearly they weren't; they ended up driving into the wall. However, I don't think that the financial sector is particularly unique in this. How many CIOs and CEOs would admit that they're not in control? The problem with the banks was that they got it seriously wrong.

The financial crisis has shown how important it is that companies really understand what it is they are doing – that they not rely blindly on weak assumptions. In the financial sector it has always amazed me how frequently the word “surely” pops up in conversation. Surely there's a backup

system? Surely there are people keeping an eye on this? Surely there's a pilot on board?

Is growth back on the agenda for financial institutions? How are banks preparing for growth?

The main priority for financial institutions at present is to rebuild the trust that was lost among their customers and stakeholders. To do so they're focusing resolutely on customer service, knowing that this is a long-term strategy – rebuilding trust is so much harder than losing it.

The problem is that in the years since the financial crisis most banks have focused on cost cutting. They've had to as a result of the crisis, but unfortunately you don't build relationships by cutting costs in processes and technology. Banks cannot afford to ignore customer service. We are not in a business-as-usual situation; too much trust has been lost. Rebuilding relationships is absolutely critical to the survival of financial institutions.

Firstly, and most importantly, banks need to retain the customers they already have. This is less expensive than acquiring new customers. But that alone is not sufficient; banks will still need to grow their customer-base, because most of their existing customers are doing less business with them – customers are spending

less – and some customers would have been lost to competitors. To find those new customers, many banks are heading to Asia.

They're trying to rebuild and maintain their business in the USA and Europe, and are looking for new markets in Asia Pacific and to some extent in Latin America. However, these are complex environments in which to do business. Asia Pacific, for example, cannot be compared to the USA. The USA is one entity; it is a single market, a single geographic entity and a single regulatory environment. Asia Pac on the other hand is highly diverse in terms of its geography, markets and regulatory environments. As a result, communication challenges will be critically important to banks' growth plans in Asia Pac.

How can ICT help financial institutions in their growth plans?

In my experience, banks are gradually beginning to adopt some of the basic principles that we would expect in our home environments. At home we use one internet connection to access all our online services: our internet banking, our insurance broker, our investment manager and so on. The service providers understand this and adapt to the channel that is most convenient for us. Now imagine if your bank demanded that you install a separate internet connection for internet banking. That would be strange; but that's exactly how banks operate today in their relationships with corporate customers, other banks, and regulators. If a bank works with 40 other banks then it will have 40 dedicated, separate connections to each of those banks. That's an archaic situation.

Fortunately, many banks are beginning to look at their infrastructure and ask themselves why they're spending so much money on such

overly complex spaghetti-like infrastructure. Simplifying that infrastructure, for example by making use of BT's dedicated cloud solution for the financial services sector, can make a tremendous difference to costs – up to 50% according to Yankee Group.

Companies have been slow to modernise their infrastructure because the incentives weren't very strong. Banks have a lot of legacy ICT infrastructure and customers were paying for much of this anyway. The technology is changing so rapidly however that the competitive implications can no longer be ignored. An increasing number of banks are adopting more efficient technologies and competing on that basis. In the past such costs were not competitively relevant.

An expansion into Asia Pac is an ideal opportunity to take a fresh look at the company's networks. Banks need to take a closer look at how ICT can support as opposed to hinder their growth strategies. For one, they should stop asking their customers to install dedicated connections. It just isn't necessary anymore. At a typical bank there is tremendous potential to consolidate and simplify the communication infrastructure. Today most business units within banks still rely on their own dedicated networks, often also split up according to the type of communication: voice, data and video. By pushing all that traffic through a single infrastructure the bank can harness significant economies of scale.

Furthermore, video is still underutilised as a growth enabler, especially in the retail context. Video is however increasingly being used to improve customer service, for example by letting customers consult a mortgage expert at their local branch via video conference. In this way you're giving your customers access to a real subject matter expert, in a live person-to-person setting. This is just one way

in which banks are trying to create a better customer experience using technology.

How confident do financial institutions feel about using cloud services? Are there any concerns specific to the financial sector?

There has been a lot of confusion about the term 'cloud' because people often assumed that the cloud is the public internet, but they're not necessarily the same thing. There are a wide variety of cloud approaches, of which the internet is simply one. Financial institutions obviously have concerns about the public internet with regard to security, reliability, and service level expectations. They're not prepared to put their critical infrastructure at risk by relying on the internet. However, we are now seeing cloud communities emerge that have the advantages of a private cloud – security, SLAs, etc – while also having a significant number of market players connected. A secure network is all good and well, but you can't do business on your own – business is about doing business with others – and that's why you need a community. For example, the corporate treasurer of a multinational will typically have relationships with multiple banks, brokers and fund managers. Ideally, this company should be able to connect to its suppliers via a secure, reliable but common platform. At BT we're building this type of platform, a shared secure infrastructure for the financial sector which we've called BT Radianz.

Can you tell us a little more about the BT Radianz infrastructure?

We take a lot of pride in what we've achieved with this. There really is nothing like it in the market in terms of its scale and the size of its user base. It currently connects over 15,000 user locations with more than 400 providers of application services;

including banks, brokers, clearing houses, trading platforms, market data providers, and so on.

Essentially what we've developed with BT Radianz is something akin to the telephone exchange. When Alexander Bell invented the first practical telephone, every telephone was physically connected to each other. Fortunately it only took two years for the telephone exchange to be developed. In financial services however, we've been working without an exchange or common network platform for decades. It's time one got built and at BT we're making good progress.



About Chris Pickles

Chris Pickles is Head of Marketing, Financial Markets and Wholesale Banking, for BT Global Services.

His responsibilities include interpreting the impact of industry and technology changes and new regulations on BT's customers across the financial services sector globally. With over thirty-five years experience in the financial technology sector, Chris has previously worked as secretary-general of the European Association of Securities Dealers in Brussels, as Head of Exchange Products for Deutsche Boerse in Frankfurt, and as a marketing manager with Reuters internationally. He is a member of the Executive Committee of SIIA/FISD, the global association for the financial information sector, and of the Global Steering Committee of FIX Protocol Ltd.

Go East

More than 80% of BT's global customers are expanding in Asia. So is BT. Tim Harris, VP of Strategy and Business Development for BT Asia Pacific, explains

Why should European companies be looking at Asia for their growth strategy?

The Asia-Pac region is at a pivotal point in its development at present. While the U.S. and Europe are still struggling to recover from the economic crisis, the economies of Asia Pacific are racing ahead. China is already the second largest economy in the world and is expected to become the largest by 2020. India too will gain in importance as its population size overtakes China's by 2030. Furthermore, these economies are changing structurally from mainly supply-based economies to consumer ones. In India the middle class is expected to grow from 50 million people today to 550 million by 2025. That is phenomenal growth. China too is already the fifth largest consumer market in the world and is expected to be the third largest market by 2020. These are pretty fundamental shifts and investors are understandably taking note. To illustrate, over 80% of our core multinational customers are actively investing in China and India at present. And this investment is clearly paying off – our multinational customers are growing at 15–25% per annum in the Asia-Pac region.

The type of investment is changing too. Since investors are beginning to see the Asia-Pac region as a consumer market as opposed to a low-cost labour and manufacturing environment, they're increasingly investing in front-office activities in addition to the traditional back-office ones. Many of our customers are building distribution and retail presences in these markets and also beginning to invest in high value R&D. Furthermore, the investment isn't solely focused

on China and India. Other centres like Sydney, Singapore and Hong Kong continue to gain weight as important investment and decision making hubs.

What are the implications for the CIO based in Asia-Pac?

As the economic role of Asia-Pac gains in importance, we're seeing a shift in the role of the regional CIO. Whereas in the past companies tended to manage their ICT mainly on a country by country DIY basis, today that approach is not fit for purpose. CIO's must deliver the infrastructure to enable rapid growth while managing the underlying complexities and risks of operating across such a dynamic and diverse market. This has become a very challenging role, since the Asia-Pac CIO is under tremendous pressure to keep up with the speed and complexity of expansion all the while ensuring that risks are kept under control. As the importance of Asia Pacific grows, management are understanding that meeting business ambitions requires a more coherent and regional approach to managing ICT. Indeed, among our customers we are clearly seeing the role of the regional CIO becoming more important and influencing global IT and communication strategies.

All this has important implications for BT. We've noted, for example, that many of our customers are looking for an ICT partner that is able to help them navigate the complexity of the region while also offering a technology roadmap that

will deliver on their growth strategy. They're looking for a consistent and reliable service across the entire region but one that reflects local regulatory, business and cultural requirements.

What is BT doing in Asia?

At BT we have spent a lot of time listening to what our customers want from us in the region, based on this, we have embarked on a major programme of investment to help our customers accelerate growth in Asia-Pac. We've created a much deeper and fuller portfolio, covering areas like Network Services, Unified Communications, Contact Center and Security. Six technology showcase centres are being opened in Beijing, Shanghai, New Delhi, Sydney, Hong Kong and Singapore so that customers can interact directly with new technologies in our portfolio.

Our portfolio is one thing; equally important is our ability to deliver, to directly support our customers across Asia-Pac. In this regard we're recruiting 300 people to bolster our services and support capabilities: When our customers go to India, China or Vietnam we're right there to support them. We're also investing

in our Professional Services division; our goal is to deliver business-driven solutions, not technology-driven solutions.

To illustrate, we recently signed a major outsourcing deal with Deutsche Post DHL, one of the world's largest logistics companies. DHL had acquired a number of companies in Asia as part of its growth strategy and as a result had a pretty fragmented ICT setup which was managed largely on a DIY basis. With BT they saw the opportunity to gain end-to-end network visibility, higher service levels and much greater efficiencies in their ICT infrastructure. We put together an innovative model that exploits the scale and visibility benefits of managing their WAN in over 29 countries, while still giving individual countries the flexibility to customize solutions locally.

Note that BT's Asian strategy isn't simply about supporting European and American companies in Asia. We're increasingly serving Asian multinationals like Huawei and Wipro which have global ambitions and are expanding rapidly both within and beyond Asia. At BT Global Services we're well placed to help them manage the complexity of a global company.



About Tim Harris

Tim is the Vice President of Strategy and Business Development for BT Asia Pacific. Based in Singapore, Tim is currently responsible for BT Global Services customer-led investment programme in Asia Pacific, recognising that over 80% of BT's global customers are expanding into the region.

As well as recruiting an additional 300 people in the first 12 months, the global programme is also investing in a strengthened portfolio, enhanced delivery capability, and the delivery of 5 new technology showcases. In addition to this, Tim has also played key roles in the development of a new global operating model for BT Global Services and the launch of four new global verticals to meet the specific needs of BT's customers around the globe.

Prior to this role, Tim held key innovation and strategy roles in BT's Chief Technology Office in London and Singapore. Before joining BT, Tim worked as a strategy consultant, advising some of the world's largest companies on their investment strategy in emerging markets, as well as organisations such as the OECD and World Bank. Tim has also worked in banking and financial markets in the UK and Asia.

Technology Predictions 2011

Chris Barnard walks us through IDC's ICT predictions for 2011

Can you tell us about IDC's predictions for 2011 in the IT and telco industries? What method do you rely on?

IDC has a 30-year tradition of making predictions in the ICT sector. In addition to our annual outlook for the overall technology sector, we also publish dozens of 'top 10 prediction' reports focused on specific parts of the market. These predictions are basically the aggregated view of all our analysts worldwide. Every year we poll over 1000 analysts for their opinion on what the coming year's key trends will be, and then our chief analyst, Frank Gens makes the final selection. We're also quite specific about the type of predictions we focus on. That is, we only look at predictions that show up high-growth market opportunities, and that have a broad and potentially disruptive impact on industry.

What are IDC's growth predictions for 2011? Will we see a strong rebound?

Yes, 2011 should be another year of recovery for the IT market – we expect that worldwide IT spending will grow by 5.7%, reaching \$1.6 trillion in value. That's a modest slow-down compared to 2010's 6.4% growth, although you have to see that unusual growth rate in context of 2009's market shrinkage. In 2010 the growth was largely hardware-driven as companies spent on overdue equipment and infrastructure upgrades. In 2011 the pattern of spending will change as the market becomes more reliant on software, services and outsourcing.

The main story of 2011, however, will be the continued brisk growth in emerging markets. IT spending in these markets – including Asia-Pac, Central and Eastern Europe, Latin America, Africa and the Middle East – will grow by more than 10% in 2011; that's 2.6 times the growth rate in developed markets. Important to note: emerging markets are becoming large in absolute terms too, representing 27% of worldwide IT spending. By 2014 that figure is likely to be 30%. This clearly illustrates the growing importance of emerging markets to global ICT vendors. Those that don't already have a presence in these markets – especially BRIC markets – will be missing out on 30% of global spending and over 50% of industry growth opportunities. Furthermore, emerging markets will likely drive many of the key innovations in the industry, making it all the more important to compete there.

While our overall outlook is positive, there obviously are risks, pertaining mainly to how well the economies of the US and Western Europe perform. The other uncertainty is how the disruptive impact of cloud computing and other innovations will play out.

What are IDC's predictions in that regard? Will cloud computing come of age in 2011?

We've been saying it for three years now: the cloud service delivery model will be the foundation of the IT industry's next 20 years of growth. We're talking about a complete transformation of the industry's core business

model here. While 2010 was the first year in which all major vendors seemed to make a strategic commitment to the cloud model, in 2011 we indeed expect rapid adoption of public cloud services but even faster uptake of the emerging private cloud model. In 2011, customers will be spending \$29 billion on public cloud services such as email, collaboration, application development and infrastructure services – that’s a growth rate of 30% over 2010. And the growth will continue in the years ahead, with spending reaching \$55 billion by 2014. By the end of 2011 we predict that one-third of industry growth will be driven by cloud services.

An interesting trend to watch is the rapid uptake of private cloud services. Although this market is still smaller than the market for public cloud services our research is showing stronger customer support for the private cloud model. As a result we expect strong growth in this market but ultimately – probably by 2015 – this may peter out as an explosion of new solutions become available on public cloud platforms.

Can you elaborate?

The vast majority of new software products – over 80% in 2011 – are being deployed on cloud platforms such as those offered by Amazon, Google, Microsoft, Salesforce.com and various telcos. What this means is that cloud services are gradually being offered not as standalone solutions to cover a specific process, but as part of an entire ecosystem of solutions that are increasingly interdependent and synergetic. The key question is: who will win the battle of the platforms? Which platform will attract the largest and richest ecosystem of solution developers and thereby have the kind of market power that Microsoft has wielded in the past via its Windows applications ecosystem?

In the mean time, however, customers will have to manage their increasingly hybrid infrastructures often combining public cloud, private cloud and on-site infrastructures. How do you ensure coherent IT management across multiple clouds and legacy infrastructures? To help companies with this challenge we’re seeing numerous vendors position themselves in this cloud broker/cloud manager role.

What will be the other key growth stories in 2011?

Firstly, the mobility explosion will continue. The number of mobile devices – especially smartphones and tablets – will soar, outnumbering PC sales within the next 18 months. And there will be a total avalanche of new applications that will further drive the utility and adoption of mobile devices. In 2010 people downloaded about 10 billion mobile applications. In 2011 we expect that figure to be 25 billion, generating over \$12 billion in revenue. Moreover, we expect that the apps platform will fundamentally transform the channels for all digital content and services to consumers. Already the spending on mobile apps is double that on digital music.

A second key growth trend is the market for social networking services and social platforms. We expect an annual growth rate of nearly 40% over the coming five years. Expect lots of M&A activity and possibly a major IPO.

Finally, we expect a major boost in the development of information infrastructure and real-time analytics to deal with our expanding digital universe, otherwise known as ‘big data’. The total amount of information and content created and stored digitally will grow by nearly 50% in 2011 to an unfathomable 1.8 ZB – and continue to rocket onwards to over 7 ZB by 2015. Most of this growth will be accounted

for by the explosion in digital video and image creation, including digital TV. Clearly there will be opportunities for those who figure out how to manage and make sense of this deluge of unstructured data.



About Chris Barnard

Chris Barnard is research director at IDC's European Telecommunication and Networking Group in Amsterdam, the Netherlands. Barnard is the author of numerous white papers and trade press articles on convergence, IP telephony, ebusiness, infrastructure, and networking strategies. He also contributed a chapter to a book, «Making e-Business Deliver,» published by the Confederation of British Industry in 2000. He is often quoted in international technology and business publications such as Business Week.

Video is booming

Joachim Henrard of BT explains why video is booming and how companies can deploy video conferencing to support their growth strategies

What is driving the boom in video?

Video is clearly undergoing a major evolution. At this point video is responsible for about 30% of global IP traffic but analysts predict that by 2014 it will account for 80-90% of global traffic. That's pretty impressive, especially when you consider that global IP traffic is growing by more than 30% annually.

This growth is driven by a number of factors, some in the consumer market such as internet TV, but there are also a number of important evolutions in the enterprise market. Video conferencing, for example, has been around for a long time but it never really took off until immersive telepresence systems became available on the market. Telepresence was a great leap forward because the user experience is so amazing. The immersive experience, the feeling that you are really 'present' in the meeting really succeeds in driving user adoption. We certainly see this at our clients, whose telepresence systems are utilized at 40-60% of the time. Compare this to the older legacy systems that on average are used about 10% of the time. User adoption is important because it determines the extent to which companies are able to valorize their investment. Most companies invest in videoconferencing technology to reduce travel spend and thereby also reduce their carbon footprint and improve the work-life balance of executives. Those benefits will obviously only accrue if people actually use the technology.

There's more to it, however, than a travel replacement. Increasingly, we're seeing

companies integrate video conferencing into their core business processes. Tommy Hilfiger is a case in point, in the way they created a virtual fitting room that enables their design team – based in Amsterdam and New York – to collaborate much faster and more efficiently with the manufacturing team in Hong Kong.

We think this trend will become more pronounced as companies start prioritizing growth again. At our clients we see how videoconferencing is being used to speed up M&A decision making, to serve customers in new markets where they don't have an extensive presence yet, to deploy key people more speedily and efficiently, etc. The impact can be pretty dramatic. Think about it, with videoconferencing you can deploy an expert in five different locations in a single day. If you had to fly that expert to those locations it would take days if not weeks, and you'd lose a lot of flexibility. This 'expert on demand' model will change business processes in numerous sectors: think healthcare, retail banking, automotive, consumer goods, in fact there are cases in all sectors.

What are some of the key trends in the videoconferencing market?

Telepresence started the video conferencing wave, but companies are pushing video conferencing deeper and more broadly into their organizations. As a result they're looking for more flexible systems, systems that have fewer technical and infrastructure requirements, so that a much greater proportion of employees – including mobile workers – can use the technology.

That's driving demand for desktop based systems that rely on HD cameras. And next in line will be mobile devices: smartphones and tablets. Already users can schedule videoconferencing sessions using their smartphones. Soon they'll be able to participate in conferencing sessions using their mobile devices.

I think the most important trend in videoconferencing today is interoperability. Many companies have a mix of technologies in place – for example, telepresence, legacy SDN systems and desktop-based systems. Obviously these systems need to be able to talk to each other. Furthermore, as the use of videoconferencing becomes more widespread so companies are looking to connect to key suppliers and customers.

At BT we're working hard to address these needs. With our service wrap we're able to connect a range of different systems. And we've created alliances with other network providers such as AT&T and TATA so that we can connect companies beyond their private clouds. For example, we recently demonstrated our capabilities by setting up a video conferencing event that linked 20 locations in the U.S. and the U.K. using different technology suppliers, equipment types and network connectivity. Videoconferencing – like the telephone and email – will become ubiquitous. It is becoming the new dial tone for business communication. Solving the interoperability hurdle is a natural step in that evolution.



About Joachim Henrard

Head of Convergence and UCC Portfolio BT Benelux

Currently responsible for the Convergence and Unified Communications strategy with an end-to-end product and proposition responsibility.

He worked for 13 years within the INS/Professional Services organisation where he ultimately joined the executive team of former CEO Dominic de la Pena.

Joachim played an active role during the INS acquisition by BT and integration of the company within the BT Professional Services organisation. Passionate about new technologies and innovation.



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