Outsourcing Local Access Networks:

Turning a Pain Point into Profitability

Managing local access networks can be one of the most complex and challenging aspects of global networking. Procuring, deploying, managing, and maintaining this critical infrastructure on a global scale can be a major headache but it can also be a great opportunity if done effectively and with the support of the right partners.

Cloud, content, unified communications and other high-value enterprise services all depend on local access networks for connectivity between the users and the applications and very often determine the overall success of these services. Local access networks provide a critical connection from enterprise locations and data centres to other sites around the world. Without robust and reliable last-mile infrastructure, enterprises cannot connect to the Cloud or take advantage of the latest communications services and applications.

So far, traditional models for local access have required service providers to develop local relationships city-by-city and location-by-location in order to deliver the last mile access. It is a model that is costly, inefficient, cumbersome, difficult to scale and makes monetising new applications and services difficult.

Smaller service providers or niche players are frozen out of the enterprise market and do not have the opportunity to capture revenue from these services while established service providers face unwanted complexity and cost.

The traditional model for local access networks is outdated and needs to change. With a better solution, new players can capture revenue in the enterprise market while existing service providers can drive greater efficiency, deploy new services more quickly and increase their profitability.

As today's applications transition to the Cloud, the approach to deploying local access networks need to be transformed from a long-term headache into a sustainable driver for growth.

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Critical Connectivity

Service providers are being challenged to deliver new services, transition from legacy networking into the Cloud and need to ensure that users can access these new services from multiple global locations across multiple metropolitan areas. The cost and complexity of managing relationships with so many local providers makes procuring and deploying local access networks an unavoidable pain point. They are critical for the delivery of Cloud and other high value services but require long-term investment and the dedication of significant resources.

In each city, there may be multiple providers connecting enterprise locations. Finding the right high-quality Internet or Ethernet connectivity at the right price requires the service provider to invest in a procurement team to build relationships locally in each market. When multiplied by five, 10, or even 25 markets the cost piles up with increasingly complex relationships and locally nuanced relationships.

The last-mile in each city can be drastically different with pricing varying based on provider and location. Market research firm TeleGeography notes that in mature markets the high-end pricing for a 10 Mbps local access circuit can be 28 times greater than the low end of the market. It notes that this phenomenon is mirrored even in less developed markets where the gap is similar.

While most service providers purchase local access circuits at a median price, this demonstrates how complex and localised each market can be. Understanding basic pricing alone will challenge the procurement team across multiple geographies. This makes local access a market that is not easy to enter and costly in the long term. In addition, the technical component to deploy and manage multiple NNI's or Internet Services and the whole access project on a global scale becomes a major exercise.

Complexity Adds Cost

The management of these relationships is time consuming, resource-intensive, costly, and complex. Each building may have several competing providers that needs to be evaluated and new relations developed. They will dedicate time and effort to ensure that they are achieving the right price point for a location while needing to replicate this process over and over.

With the time they take to attain the best pricing, the customer may then relocate or scale up or down their requirements. This adds immense complexity to a service provider's operation while its core business is usually focused on enterprise services and customers satisfaction rather than network infrastructure.

It is in the services and customer satisfaction that the service provider can differentiate it's offering, not in the last mile. As the complexity of local access networks adds cost to an operation, it is non-core and does not give the service provider a competitive advantage.

Local access networks provide a critical function but do not add value when using a traditional procurement model. It is this contradiction that limits those who can enter the Cloud, content, unified communications and enterprise services market. It also makes it challenging for existing service providers to monetise these services and accelerate growth in their businesses.

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A Growing Opportunity

So who wants to get into this market?

The lure of enterprise revenue is driving service providers to find a better model for local access networks. Cloud services are a long-term growth opportunity that is being weighed against the challenge of procuring last-mile connectivity. Where this proposition gets exciting is when a new model becomes available.

Network outsourcing has a proven track record of simplifying global connectivity but when applied to the last-mile, it transforms how a service provider can play in the space. It also unlocks the opportunity for more players to enter the Cloud market. Network outsourcing for local access solutions solves many of the challenges around delivering Cloud services on a global scale.

It is the fastest way to manage local access challenges and turn them into an opportunity with a dedicated outsourcing provider. A service provider can remove the complexity and cost of serving the local access needs of customers while enabling it to develop and deliver more enterprise services.

An outsourcing provider removes the procurement, technical, operations and management costs while accelerating a service provider's time-to-revenue for high margin and high value services. Outsourcing local access networks can deliver significant savings depending on the organisation while supporting the development of new revenue streams.

As Cloud and managed services takes off, service providers can increase their scope while leveraging a risk-free outsourcing model. This risk-free and no-CAPEX model means monetisation is easy and with the right partner, optimal network performance and tight SLA enforcement provides for a happier enterprise customer experience. An outsourced solution at the right price point means success in the enterprise market.

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The Outsourcing Model

The outsourcing model in local access networks is simple. Instead of procuring, deploying and managing local access relationships all over the world, the service provider simply outsources its building-to-building connectivity to a network outsourcing provider and leverages on the outsourcer's experience, network, global relationships and support organisation.

The network outsourcing provider becomes a single point of contact for all of the service providers local access needs. The outsourcing provider uses its existing relationships to source, deliver and manage the most cost-effective and reliable last-mile connectivity on behalf of the service provider. In this way, the service provider removes the complexity of procuring and managing local access networks and consolidates possibly hundreds of relationships into a single relationship.

As local access network requirements change, the outsourcing provider is ready with a flexible and agile model for meeting the needs of the service provider. It is prepared to manage changes as well as the scaling up and down of enterprise connectivity needs at different locations. This removes the need for internal procurement teams that have limited scope for adding value to the operation and increases the service provider's flexibility, agility and cost base.

When an online portal is developed or APIs open to developers this is accelerated. The service provider can rapidly procure services at the click of a button while comparing pricing and connectivity providers. When procurement of local access is done online the process is streamlined and simplified even further. It makes network outsourcing as easy and simple to manage as eCommerce in the consumer market. Service providers benefit from an efficient online system as well as the local expertise of the outsourcing provider and in turn the time it has dedicated to growing relationships on a global scale.

The model works best when the outsourcing solutions are delivered by a neutral entity that does not compete in the enterprise space. In these scenarios, both the service provider and outsourcing expert have a common goal of ensuring the success of the deployment. The outsourcing provider doesn't have any conflict of interest or the potential to be competing for the same business. It is a clearly defined relationship with clear outcomes for both organisations.

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New Capabilities, New Growth Opportunities

The local access outsourcing model isn't just about cost savings or efficiency, it can also be a tool for revenue growth for local or regional service providers. These local operations can leverage an outsourcing model to serve the global needs an enterprise. It can be a driver for business transformation and the globalisation of local services.

With the support of an outsourcing provider, the service provider can enter new geographic markets or tap new global verticals. It removes the barriers and limits of their organisations and enables them to tap the growing opportunity in enterprise services. The service provider can win new business and grow existing relationships.

For example, a service provider may manage the connectivity needs of an enterprise in their home market but not in other global locations. By using an outsourced solution for the last mile, the service provider can instantly scale up to serve the international needs of an existing customer. This gives them increased scope for capturing larger higher value deals with the support of an outsourcing provider.

The outsourcing provider has the relationships in place to connect the service provider wherever connectivity is required with a predictable cost as well as the flexibility to change and adjust the service. It expands reach and capabilities without adding complexity or the need for CAPEX investments.
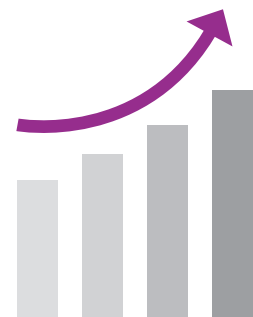
Gateway to the Clouds

Outsourcing the last mile can accelerate a service provider's entry into the Cloud market or increase the profitability of existing Cloud services on a global scale. Data centres and network infrastructure are the lifeblood of the Cloud with local access acting as a critical bridge between service providers, enterprises and their Cloud services.

From building-to-building and data centre-to-data centre, the outsourcing model has been designed to be the simplest, fastest and most efficient way to use infrastructure to enable your Cloud services end-to-end. Interconnecting all major Cloud and communications hubs around the world would be costly but with a single outsourcing provider they can be accessed seamlessly.

Effectively delivering new Cloud services requires a new model that matches the expectations of customers. When a service provider adds the scalability and agility of network outsourcing to their Cloud offering, they have the ability to mirror the positive traits of Cloud services within their infrastructure. They can move quickly to serve emerging demand and rapidly roll out new services around the world. This dynamic approach to networking is a critical part of maximising Cloud potential.

Next Steps for Local Access Outsourcing

For most service providers, outsourcing local access makes sense. They just need a provider that understands what it takes to be successful in the market and has the proper support organisation in place. With the right provider, there are no barriers to entering new markets and increasing the agility of a service provider's operation, and this in turn leads to stronger financial performance.

When evaluating an outsourcing provider, look for these five things:

Simplicity

The ability to connect your data centres and enterprise locations with a simple and cost efficient model on a truly global scale

Scalability

Proven scalability of its network infrastructure and the capability to meet surging demand in both developed and emerging markets.

Connectivity

A track record of delivering high performance network services around the globe with trusted availability.

Neutrality

A neutral partnership model that does not compete with customers and is entirely committed to your success.

Performance

Purpose built intelligent network infrastructure to ensure end-to-end performance with real-time network monitoring and troubleshooting.

About Epsilon

Epsilon is a global connectivity provider that simplifies how businesses connect applications and data around the world and in the cloud. Its Network as a Service (NaaS) platform Infiny provides businesses with a suite of high-performance connectivity and communications services at the click-of-a-button.

Epsilon offers fully-managed connectivity services with automation, orchestration and a comprehensive approach to end-to-end service delivery, ensuring consistent and reliable connectivity to world's leading data centres, clouds and internet exchanges. Its services are powered by a carrier-grade global backbone with extensive presence across the Asia-Pacific including Mainland China.

Epsilon is headquartered in Singapore with offices in London and Sofia.

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