BUYER CASE STUDY

Buyer Conversation: What Makes a Good Global Network Provider — Targus' Experience

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IDC OPINION

In the past three to five years, many U.S. and Europe-based enterprises have been rapidly expanding their operations into the Asia/Pacific region for reasons that we are familiar with: sluggish economic conditions in the United States and Europe regions and flourishing economic growth in Asia. As these businesses expand across continents, some enterprises realized that their existing network providers, especially those that did not yet have a good network presence outside of United States and Europe, were not able to deliver the network performance level that they experienced back home. These have led some enterprises to engage network providers by regions rather than a global WAN provider. Some enterprises that have a relatively larger proportion of businesses in the Asia region would switch to a provider that provides not only good network performance to its existing sites in the United States and Europe but also comprehensive network presence within Asia. While network performance and latency are critical and should be the key consideration when evaluating a network provider, there are other key factors that enterprises should consider when they plan to switch or engage a new service provider (SP) for regional network delivery:

☑ **Good customer support is important for long-time relationship.** Besides good network reliability and performances, SPs that are responsive to enterprise's service requests, are proactive in updating the IT department on progress of service provisioning, fault resolution, or others (either over the Web portal or other means), and having regular engagement with the enterprise on service review will be able to build a more lasting vendor-partner relationship.

☑ **Flexibility of the provider to offer services that meet business requirements.** This relates to the willingness and responsiveness of the provider to meet business demands that include more stringent service-level agreement (SLA) for specific routes requested by business users, flexibility in contract terms to cater to business changes, faster service delivery for occasional urgent requests, or new sites connectivity and others.

☑ **Make sure that the provider is able to support future network and ICT needs.** It pays for the enterprise to share its business ICT road maps with its provider as this will help both parties evaluate how well the provider is able to support the enterprises' future ICT and networks requirements. Enterprises that invested in in-depth engagement with their providers tend to benefit from it with regular technology sharing and recommendations on new technologies or services that can bring about better value on enterprises' network investment.

IN THIS BUYER CASE STUDY

This IDC Buyer Case Study is based on IDC's in-depth interview with the vice president of information technology and chief information officer of Targus, Chuck Farner, on the company's experience with NTT Communications as its global WAN provider.

SITUATION OVERVIEW

Organization Overview

Targus is a US$600 million US-based global company that manufactures carrying cases and accessories for mobile devices. It has a staff strength of about 530 employees located across the globe, but has a large distribution channel leveraging its ecosystems of partners. Targus' businesses include: (1) direct retail or consumer business in the U.S. market; (2) the original equipment manufacturer (OEM) market that Targus supplies accessories for mobile devices to OEM partners such as Dell, Lenovo, HP, Toshiba, or Sony; (3) distribution business; and (4) business-to-business (B2B) sales. The company has offices across the continents, and Asia is an important region, especially the Hong Kong, Shenzhen, and Shanghai markets. Hence, besides network connectivity in the America region, good network performance across Asia is essential to Targus.

Challenges and Solution

Before 2009, Targus' global WAN network was provided by a Europe-based global telecom provider. However, Targus was not entirely satisfied with the provider largely due to its network performance into Asia and its customer support to Targus was not satisfactory, which compelled Targus to consider switching SP.

A request for proposal (RFP) was issued to global and regional SPs, which included the incumbent provider, U.S.-based global and regional providers, Asia-based regional providers including NTT Communications. NTT Communications was the only Asia-based provider that had been short-listed for the second stage of evaluation.

NTT Communications stood out from its competitors for a number of reasons:

☑ A comprehensive proposal specifying detailed service migration processes.

☑ Its flexibility and responsiveness in catering to a more stringent network latency SLA.

☑ Strong presence and connectivity in Asia and to its target markets (i.e., Hong Kong, Shenzhen, and Shanghai), as well as good connectivity into the United States and Brazil.

☑ Competitive pricing. According to Farner, NTT Communications was able to offer at least 10–20% price reduction, despite higher bandwidth compared with its incumbent provider.

A three-year term global WAN contract was awarded to NTT Communications in 2009, connecting 20 sites globally including Asia, North America, and Brazil. The company had resigned another three-year term contract since then and is in its fifth-year relationship with NTT Communications now.

Results

Targus has been satisfied with the provider's services this far, although there were some teething issues such as billing and service migration problems with some of the European local providers at the initial stage.

Farner commented that after switching provider, Targus has been experiencing good network performance and that the provider has consistently met its SLA on its global networks. Good customer service from its account manager and responsiveness of the provider toward expediting service requests have been one of the main factors that Targus continued with this partner relationship. It also commented that although Targus is not a large company, NTT Communications is willing to place effort in serving Targus, which it did not receive from its previous provider.

However, the company hoped that the provider would improve its lead-time for service quotations and delivery process in some sites, especially those outside Asia.

Besides the global managed WAN service, Targus has also recently migrated its Web servers from a local U.S.-based Web hosting provider to NTT Communications' datacenter located in San Francisco.

ESSENTIAL GUIDANCE

Despite slowing growth in Asia, this region still holds good growth potentials for many expanding enterprises, especially for the U.S. and Europe-based companies. As these enterprises grow their businesses beyond their home region, they will expect their existing SP to offer consistent network services into those Asia countries and emerging markets that they plan to expand their business footprints. Service providers that do not have good network presence and network performance in Asia may risk having a lower share of wallet from their clients or losing the customers if they decide to switch to a regional provider that can promise reliable regional and global network connections at a more competitive price. However, other factors are important, and enterprises that are considering making a switch should take into consideration the following:

◻ **Do not switch provider purely based on cost.** Unless there are compelling reasons to switch out from an incumbent provider, such as poor network performances and service support, enterprises should not switch its WAN SP purely based on cost decision alone. If an enterprise's networks requirements for its existing sites have been well served and are satisfied with the support received from its existing provider, relationship should be maintained as a new provider might pose more challenges. Enterprises should share their business expansion plan with their provider and evaluate if the provider's network presence is also capable of delivering consistent services to new locations. Enterprises might choose to issue new RFP if its existing provider cannot adequately serve its network footprints, but the choice of the provider should not be dependent on pricing alone. Other considerations like the SLA, network latency between cities, global account management, service provisioning and escalation process, close partnership with local carriers in different countries, and so forth are also important considerations.

◻ **Good customer service and responsiveness of the provider is important.** As Targus highlighted, for managed WAN services, most providers would be able to deliver a reasonable level of network performances over time. Hence, account management and customer service are the key differentiating factors between providers. For Targus, NTT Communications' account manager and support team have been responsive to its network and IT requests and have been quick in solving network issues. One of the key reasons that Targus switched SP was because of the poor customer service it received from its previous provider. Good customer support would encompass accurate and easy-to-understand bill; user-friendly customer Web portal; willingness to escalate service provisioning lead-time for occasional urgent requests; as well as providing proactive alerts to enterprises on service outages.

Enterprises should evaluate the user-friendliness of the provider's self-service portal, including the ability to monitor network performance and latency in real or near real time, access Web portal anywhere and everywhere, and other portal functionalities should go beyond just network latency monitoring. Other functions like online bill, bill analysis, service ordering, service provisioning tracking, and so forth will give enterprises greater visibility on their networks and service performance. Having an easy-to-use, self-service portal will enhance customer support and facilitates faster response time to enterprises.

- **Flexibility of provider to accommodate service alterations.** Most SPs tend to lock customers in for a two-year or longer-term contract with the same services they subscribed at year one without regularly reviewing the services, until at the point of contract renewal or when another RFP is issued. In the current dynamic environment, business plans may change, and most enterprises do not want to be locked in to a long-term contract if they have to incur penalty for premature termination or service alterations. On the other hand, a longer-term contract can potentially result in better pricing for enterprises and hence cost savings. In this double-bind situation, it would be beneficial that their providers allow the IT buyers the flexibility to make changes (upgrade, downgrade, terminate, or subscribe to better cost-effective services) on their network services within the contractual period without incurring penalty or sign up a new service contract.

- **Engage SPs as business partners rather than just a network provider.** Good customer-vendor relationship is built over regular multi-level engagements between the provider and enterprise. This includes sharing of IT road maps with the provider or getting advices and recommendations on network technologies and services from its provider to deliver better competitive edge leveraging ICT services. Such engagements, however, do not always end up in new sales for the provider, but will place the provider in the top-of-mind list for future proposal requirements. Enterprises often felt that their providers were becoming complacent after a few years and no effort was made to maintain or enhance the relationship. Service providers that are able to build regular contacts and have good account management team will be viewed as more proactive and have the customer's interest at heart.

- **Deliver business benefits to enterprises.** As organizations move enterprise applications into the cloud and subscribe to more ICT services, the ability of the IT department to deliver consistent level of application performance and meet end-user expectations will be critical. Service providers that not only deliver network latency SLA but also offer application performance management and application performance SLA can help IT department deliver better end-user experiences on the networks and minimize downtime for specific critical enterprise applications.

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Related Research

- *IDC MarketScape: Asia/Pacific Next-Generation Telcos — ICT Services 2013–2014 Vendor Analysis* (IDC #AP3053307V, October 2013)

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