

du Becomes First Service Provider To Establish Regional, Carrier-Neutral Data Hub in Middle East

Executive Summary

CUSTOMER

du, Emirates Integrated Telecommunications Company

INDUSTRY

Service Provider

CHALLENGES

- Provide first-ever tier-1 Internet exchange in the UAE to reduce data transit times, costs, and service outages

SOLUTIONS

- Scenarios that identified how du could succeed among larger players by, for example, developing an agile infrastructure, creating a "free zone" for international transit, and deploying new submarine cables to increase international capacity
- Business case/investment proposal for key stakeholders
- Services portfolio and roadmap
- Datamena, a carrier-neutral transit and content hub based on the Cisco Unified Computing System

RESULTS

- 50 percent reduction in latency times is expected
- A 30 percent to 40 percent cost savings is expected for aggregating data in the Middle East versus in Europe

Background

Established in 2005, du is a quad-play service provider (SP) in the United Arab Emirates (UAE). du offers fixed, mobile (2.5/3G and Long-Term Evolution [LTE]), data, and video services. The company is 40 percent owned by the federal government, with an additional 60 percent equally divided among Mubadala Development Company PJSC (a public joint stock company and a wholly owned investment vehicle of the Abu Dhabi government in the UAE), Dubai Holding, and the public. du has two main divisions: 1) international and wholesale, and 2) commercial and retail. The company wants to increase its share of the international data transit business and to compete more aggressively against SPs that, in combination, dominate this market. To achieve this, du is looking to grow its business through innovative ideas. One in particular is a regional digital hub to meet the rapidly growing demand for Internet access in North and East Africa, the Arabian Gulf region, and the Indian subcontinent. Among other benefits, such a hub would create an interconnection point for domestic and international operators, transforming the user experience and bringing tier-1 Internet connectivity to the greater region; provide submarine cable access to the region; and possibly make available new terrestrial access to Europe.

Challenges

The existing telecommunications ecosystem in the Arabian Gulf region presents several challenges for SPs, governments, and customers alike. Without a tier-1 Internet exchange, data traffic cannot be routed, for example, directly from the UAE to Qatar and back to the customer without first going through an Internet exchange in London or Amsterdam. This convoluted way of sending data impacts SPs and their customers in three major ways:

- **Costs.** International data transit is expensive, leading to higher costs. Because of this, the UAE has one of the highest broadband costs per megabyte¹ for businesses and consumers around the world.



Cisco Internet Business Solutions Group (IBSG)

- **Data Transit Times.** Extended routing impacts the time it takes to transmit data; current transit times in the UAE are in hundreds of milliseconds versus tens of milliseconds in the developed world.
- **Service Outages.** Internet connectivity relies heavily on submarine cables that connect the region to Internet exchanges. Such cables are subject to frequent service outages.

These impacts not only are felt by SPs and their customers, but also by regional governments that have positioned Internet usage at the heart of their digital strategies for national competitiveness. And, the federal government's 40 percent ownership of du enables it to play a vital role in increasing Internet adoption and usage.

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Gilles Lapierre
Senior Vice President,
Investments & Strategy,
du

As a result, du—along with a number of competitors—began evaluating the business case for the creation of a regional hub and wanted to secure first-mover advantage. So, du issued a tender document to various consulting firms, including Cisco IBSG. du selected IBSG because of its approach to the engagement and eagerness to develop the business case further.

"When we initially approached the IBSG team with this project, their enthusiasm immediately convinced us that we had a vision of potentially great value," said Gilles Lapierre, senior vice president, investments & strategy, du. "Furthermore, their dedication, competence, and professionalism resulted early on in a highly credible story and associated investment case to be considered by our management. IBSG was instrumental in getting us off on a very strong start in turning this vision into a business reality."

Strategy

Scenario Planning

An intensive scenario-planning event was conducted with executives from across du's business to identify ways in which a smaller challenger, like du, could succeed in this arena. One scenario, for example, looked at how to create an agile infrastructure so that du could effectively compete with larger players. The scenarios also identified early on some of the competitive advantages of being based in the UAE, such as the opportunity to create a "free zone" for international transit, as well as increase international capacity as a result of new submarine cables. The scenarios resulted in a common understanding of the desired future and key "signposts" that would indicate progress toward each scenario.

Research and Analysis

As part of their analysis, the team worked together to size the market for a range of services across North and East Africa, the Arabian Gulf region, and the Indian subcontinent. Having access to reliable market data when working on groundbreaking projects in emerging markets is a common challenge. Furthermore, because many of the services that would become part of the proposed portfolio

were in the early stages of maturity, it was not possible to rely on third-party market data. Nonetheless, reliable data was critical to the financial case underpinning the proposed new business, so the team worked to construct a complex model for sizing the market. The model took into account not just basic services such as co-location and connectivity, but also more advanced offerings such as cloud and content delivery networks (CDNs).

Best Practices

Cisco IBSG analyzed other regional hubs around the world and shared best practices common among them. While the hubs were not necessarily those of du's competitors, they provided key factors in building successful Internet exchanges. Carrier neutrality was identified as a critical factor, and the team began considering ways in which du might create a carrier-neutral business offering.

Services Portfolio

One of the team's key deliverables was a detailed services portfolio that included descriptions, value propositions, target customers, business and revenue models, use cases, and infrastructure requirements for each service. A major challenge was providing a sufficient level of detail to ensure that all stakeholders within du had the same understanding of each service; not every service would be available at the time the hub was launched, but it was important to have a view of the services-portfolio roadmap as the business evolved.

The project overall contained a complex stakeholder map, including not only executives from du but also from the Telecommunications Regulatory Authority (TRA) or the UAE, du's shareholders, and, most important, major SPs in the region that would utilize the new hub (this factor was critical to the business case). Agreement among all parties would dictate the speed at which the hub could be implemented.

Business Case and Investment Proposal

The complexities of the research and analysis model, combined with the fact that a regional hub presented a new business area for du, would challenge the team in garnering stakeholder consensus on the business case. To address this, the team built various financial scenarios based on different assumptions and then held a series of stakeholder meetings across the business to secure support for the proposal.

Finally, du developed a detailed financial case, with input from IBSG, including price points, a breakdown of potential revenues, costs associated with the technology architecture (Internet exchange, data-center components, data transmission, and so on), and other elements involved in creating a new carrier-neutral business entity. The financial case was first approved by du's finance team and then compiled into an investment proposal for consideration by du's board of directors.

"The IBSG team brought rigor and structure to such a complex project, enabling us to execute on our business plan."

Mahesh Jaishankar
Vice President, Investment
& Special Projects
du

Following the initial engagement with Cisco IBSG, du underwent the process of identifying, evaluating, and selecting partners for the new venture.

Results

In October 2012, du launched Datamena, a carrier-neutral transit and content hub—based on the Cisco Unified Computing System—that brings together international carriers, regional operators, and content players to help them grow not just across the Middle East, but also globally.

Datamena also hosts the UAE Internet Exchange (UAE-IX), a carrier-neutral, public-peering exchange initiated by the TRA. The exchange interconnects regional/global network operators and content providers.

Overall, Datamena is expected to reduce latency times by 50 percent. A 30 percent to 40 percent cost savings is expected for aggregating data in the Middle East versus in Europe. Moreover, Datamena will improve IP network resilience and robustness, and will also help provide reliable connectivity within the Gulf region.

The launch of Datamena was greatly accelerated by the Cisco IBSG engagement. One month later, du formed an alliance with Equinix to deliver data-center and interconnection services to customers in the Middle East. The alliance is meant to underpin the establishment of the first world-class, carrier-neutral hub in the Middle East where carriers, content and cloud providers, financial services institutions, and enterprise customers can co-locate critical data infrastructure.

du's engagement with IBSG did not go unrecognized. Barely one month after the hub's launch, du received the "Telco Broadcast Project of the Year" award.

Next Steps

With the launch of Datamena, du secured its position as the first SP to establish a regional Internet exchange in the UAE and a carrier-neutral data hub in the Middle East, thereby becoming a key player in enabling connectivity across North and East Africa, the Middle East, and the Indian subcontinent. Cisco IBSG will continue to work with du as Datamena evolves.

"The IBSG team brought rigor and structure to such a complex project, enabling us to execute on our business plan," said Mahesh Jaishankar, vice president of investments & special projects, du. "We greatly appreciate and recognize their contribution to our effort in making Datamena, and UAE, a true telecom hub for the region."

Endnotes

1. "Datamena from du To Offer Regional Internet Exchange," an interview with Mahesh Jaishankar, vice president of investments, du.
2. "Datamena from du To Offer Regional Internet Exchange," an interview with Mahesh Jaishankar, vice president of investments, du.
3. "du Announces the Launch of Datamena, a Carrier-Neutral Transit and Content Hub," October 13, 2012, <http://www.du.ae/en/business/leadership-series/leadership-news-detail/du-announces-the-launch-of-Datamena>

More Information

Cisco IBSG (Internet Business Solutions Group) drives market value creation for our customers by delivering industry-shaping thought leadership, CXO-level consulting services, and innovative solution design and incubation. By connecting strategy, process, and technology, Cisco IBSG acts as a trusted adviser to help customers make transformative decisions that turn great ideas into value realized.

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