Telstra Cloud Services

Business Connected Life Experiences

EXECUTIVE SUMMARY

COMPANY PROFILE

Telstra is the incumbent mobile and fixed-line operator in Australia. It is a full-service provider and retains a leading market share in fixed, mobile, broadband, and enterprise services. Telstra recognized early on that users of its voice and data network services were seeking new ways of accessing services and managing large volumes of application and process data. Telstra cloud services provide customers with a range of services in a secure environment, with greater degrees of visibility, monitoring, and cost control. And by bringing a comprehensive cloud portfolio to the market, Telstra is moving forward on its strategy to shift revenue from traditional connectivity to value added services.

Experience Innovation

With its entry into the market on multiple fronts, Telstra has a significant number of customers for its cloud services across the corporate market and small and medium businesses. Offerings include Infrastructure as a Service (IaaS), Software as a Service (SaaS) and Unified Communications as a Service (UCaaS).

- **IaaS**: This service was initially based on a dedicated resource and offered to large organizations in highly customized projects. IaaS was later extended to the SME market in a utility-hosting offering where customers can pay per usage (including CPUs, memory, storage, backup, operating system, and Internet) or a fixed monthly subscription according to different subscription plans. Customers have access to a pool of shared servers and storage in Telstra's data centers that are managed via a web portal.

- **SaaS**: This service was initially released for SMEs via T-Suite, Telstra's retail shop for SaaS applications. T-Suite provides a range of apps for common business needs, such as office productivity/email, CRM, finance, HR, and IT security. For large companies, Telstra offers managed and hosted business-critical applications from SAP and Microsoft. More recently, Telstra has decided to extend T-Suite coverage to the large enterprise market, but offerings are still to be announced.

- **UCaaS**: Unified Communication is the area where integration between network, applications, and services is most evident, allowing Telstra to explore the full potential of its assets in an end-to-end solution. Telstra has over 125,000 users of its IP telephony (TIPT) solution. This service had been offered for several years, then was integrated with Microsoft and repositioned as a cloud service However, it is still sold primarily to SMEs through traditional channel partners.

Telstra is also in the early stages of deploying the Cisco® HCS (Hosted Collaboration Solution) to large enterprises. In addition, the recent acquisition of iVision will increase Telstra's system integration capability in video conferencing in both on-premise and hosted solutions.

Figure 1.   Telstra Cloud Services Portfolio

Source: Telstra
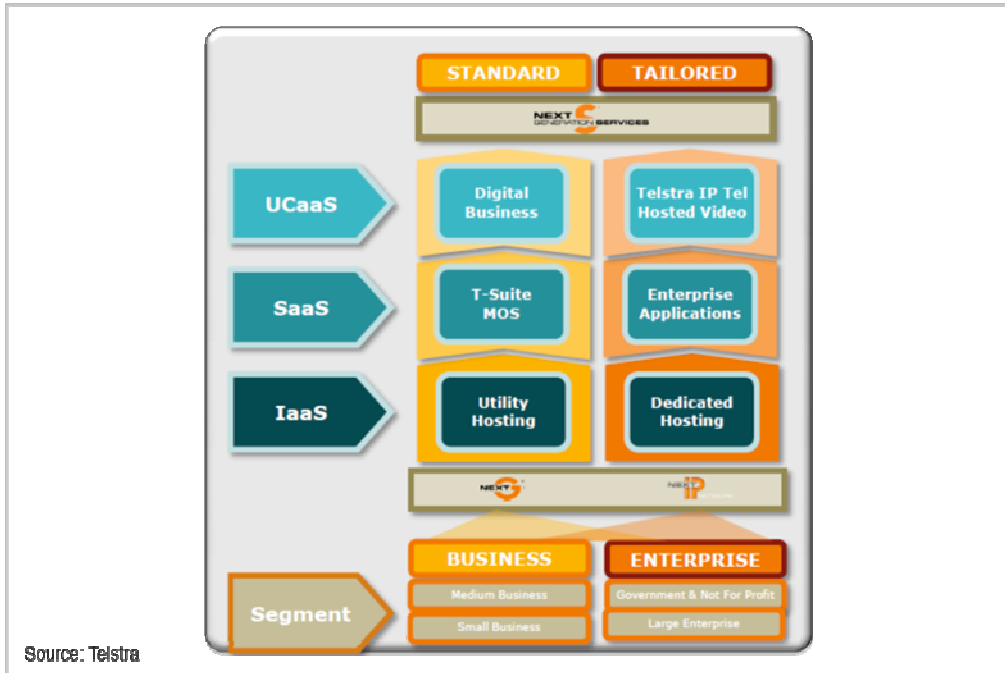
Potential Barriers

- **Service scalability**. Telstra's cloud services strategy will require developing a broader partner ecosystem to scale its service offerings and optimize its network and platform investments. Building and managing the ecosystem of partners is a substantial task.

- **Balance in-house skills**. Telstra will need to vertically and horizontally integrate its assets and services with customer business processes. This integration will require advanced skills in system integration and professional services. In addition to partnering with integration providers, Telstra will need to develop these capabilities internally, or it may lose ownership of the customer relationship and become more of commodity asset.

- **Expand internationally**. Telstra's strategy requires it to expand cloud services and capabilities outside the domestic market to support multinational customers. Telstra has demonstrated that it is capable of supporting international projects on a case-by-case basis. But to attract new customers in the regional multinational corporation (MNC) market, Telstra needs to present a clear international product roadmap.

Opportunity

- **Combine all assets to differentiate**. The cloud computing model holds particular significance for Telstra and is an area of great expectation and focus. Telstra sees itself in the unique position of providing business-grade cloud computing services that combine its network services, applications, and quality of service guarantees, with end-to-end service-level agreements (SLAs).

- **Develop new revenue streams**. Telstra's goal is to achieve 20 percent growth annually for cloud services by 2014. Telstra estimates its addressable market opportunity in cloud services to be $3.4 billion.

- **Provide unified security services**. Security is one of the four elements of Telstra's Intelligent "Cloud Ready" Networks vision, which also includes mobility, application assurance and services enablers. The security product portfolio currently includes perimeter security, and there are future plans for mobility/end point security, application security and monitored security.

- **Address customer concerns about data storage in offshore jurisdictions**. Telstra emphasizes that customer data is stored locally in Australian data centers, thus avoiding the risks of managing compliance requirements and navigating the cross-border legal landscape. Telstra promotes its onshore data storage capabilities particularly when approaching government organizations.

- **Internal cost savings and efficiency improvement**. Telstra recently announced an US$800 million investment over five years to strengthen its cloud capabilities. In addition to developing new services for customers, a portion of the investment will enable Telstra to adopt cloud services internally. This strategy will improve cost management and provide proof points for the service benefits being proposed to customers.

> "It's only early days, but we're seeing better efficiencies and lower costs. Where there was a cost before for my time to make sure that the old server worked, that's all covered by it being remotely hosted."
> **—Greg Scott, General Manager, Chelgrave Contracting**

Strategic Partnerships

Telstra has a strategic alliance program to achieve leadership within the cloud market. Telstra's partnering strategy is guided by three main objectives:

- Deploying best-in-class cloud technology and platforms
- Leveraging global leadership for business applications
- Driving best practice service models in sales, consulting, integration, and managed services

Strategic partners include Cisco, VMware, Microsoft and Accenture. For example, Cisco is assisting Telstra to build, deploy, and use clouds by providing essential infrastructure building blocks, solutions, and services, such as its HCS (Hosted Collaboration Solution) for large enterprises.

Success Metrics/Monetization

Success metrics focus on building upon Telstra's traditional revenue base with new value-added services. Recent results suggest that Telstra is on track to achieve this objective, as revenues from its network and application business (which includes cloud services) grew 11 percent in FY2011 to $1.1 billion.

- The company has more than 120 customers of IaaS. Although most customers are believed to be medium-sized companies, examples also exist of large deployments: Komatsu ($35 million) and Employment Plus, both which run critical business applications and validate Telstra's cloud proof of concept. Other major deals include Origin Energy, South Australia Health ($36.7 million), Coca Cola Amatil ($150 million), and Visy ($50 million).
- Telstra has an increasing number of SaaS customers. References include Steinhoff Asia-Pacific, with 1050 seats, and at the time of the announcement was the biggest customer of Microsoft BPOS (Business Productivity Online Suite).
- The company also has over 125,000 users of UCaaS based on its IP telephony (TIPT) solution.

Service monetization is based on either a dedicated pricing model or utility pricing plan with the option to pay per usage (PAYG) or fixed monthly subscription.

- For IaaS, Telstra offers dedicated hosting pricing based on specific customer configurations and plans. The customer can also select utility hosting pricing with the option to pay per usage (including CPUs, memory, storage, backup, operating system and Internet) or a fixed monthly subscription according to different subscription plans.
- SaaS and UCaaS are offered in monthly service plans for SMB, or 2-5 years contract plans for enterprises, in both cases with variable entry costs.

Company Background

- [Telstra Cloud Services](#)

Case study source: Cisco sponsored research developed by [Ovum](#).