

Networks for Latin American development

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The combination of falling rates and growing traffic is forcing Latin America's carriers and service providers to be more responsive to user demands. They need to leverage technology to drive new revenues and profits, re-configuring their networks to cost-effectively handle increased voice and data traffic. Finding creative ways to trim costs, outsourcing non-core back-office tasks and finding the right partners, can make a tremendous difference by giving regional providers the opportunities to simultaneously grow both traffic and revenues throughout their networks.



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Latin American - tradition and change

Latin America, encompassing South America, Central America, Mexico and the Spanish Caribbean, is fraught with communication issues and hurdles similar to those faced by the rest of the world. Latin American countries continue to review their broadband policies, work to identify solutions to reach rural markets, and continue to seek for ways to increase communication penetration within their countries - including Internet and mobile. The region is not immune to the global financial crisis that has affected the United States and Europe over the past few years, and in some ways, the region

is affected more. Without global business expansions, Gross Domestic Product (GDP) growth depends upon what businesses do locally, rather than upon foreign investors. As the Internet becomes more prevalent in global businesses, the way we communicate and how we communicate are having a major impact on global voice and data communications network systems.

Latin American countries are steeped in tradition and culture. Businesses and people alike depend on communications to share important information, including celebrating life, sharing news and information, and discussing what is happening around them.

Within this deep-set cultural tradition, a communication migration is occurring. This 'communication migration' is not just what information people communicate, it is in the way that they communicate that information. The Latin American communication landscape is evolving and the change agent is the Internet.

El Internet...the great enabler

The Internet is enabling greater communication, particularly across borders. Data communications and global IP networks are providing cost-effective and efficient ways for people to communicate with each

other, no matter where they may be in the world. In the consumer market, the advent of social media (e.g. Facebook), Internet chat and Voice over Internet Protocol communications (VoIP - e.g. Skype) are providing more ways for more people to generate an even greater amount of communication.

In addition, businesses are leveraging more Internet-based communications as well. More and more businesses are taking advantage of lower cost VoIP solutions that can be converged with data communications. As the next generation of Internet-based services, such as virtualization, cloud computing and telepresence make their way into the Latin American culture, there will be greater usage of Latin America's telecommunications infrastructure; this will require further growth and investment.

Furthermore, the Internet makes cost-effective communications throughout the world possible. In April 2010, TeleGeography reported that the cost of telecommunications capacity between the US and Latin America fell 17 per cent. This price fall puts a strain on how carriers and service providers seeking to build out their businesses. Given the growing demand for access and for ever greater capacity, price decline is natural. In June 2010, GlobeNet, a wholly owned subsidiary of Oi, formerly Brasil Telecom, upgraded its 22,000-km cable system that connects the US and Latin America. This expansion added an additional 110Gbps of capacity - per fibre pair.

According to GlobeNet's COO Erick Contag, expansion of the network between North and South America is needed to support the growing demand for content delivered using such new technologies as interactive video, IPTV, gaming and cloud-based applications. With his sight on the Latin American market,

Contag cites the International adoption of IP-enabled applications, including video, social networking sites and peer-to-peer applications as key factors in driving further technological innovation and growth. In support of these observations, Pyramid Research projects that the Latin American region will experience a 40 per cent increase in annual capacity demand in 2010.

Figure 1 below indicates that Latin America currently ranks third, behind Africa and the Middle East, for Internet penetration and growth. However, that growth is still greater than 1000 per cent, which foretells the continued need for additional investment and build-out by regional telcos and global network providers to meet the increasing demand.

Internet usage and Latin American service providers

Thus far, the explosive growth in Internet subscribers and usage has had the largest impact on fixed-line service providers. However, with the introduction of 3G mobile services, this migration has started to affect cellular network providers as well. Analysts, such as Signals Telecom Consulting, predict that by 2014 landline and mobile telephony losses from VoIP are likely to exceed US\$18.4 billion in Latin America. It is this threat that has network operators searching for all possible solutions to halt the potential erosion to their revenue streams. Operators are seeking help from regulators in the form of taxation and regulation of these services and from technologies created to identify and manage or limit these services, such as deep packet inspection. Some operators look for strategic partnerships with supposed enemies, like the one recently struck between Verizon Wireless and Skype.¹

Driving growth in Latin American communications

Frost & Sullivan published a report on May 31, 2010 called Latin American Data Communications Services Markets-2010. This report states that the Latin American data communications services market witnessed moderate growth in 2009. A key driver, according to Frost & Sullivan, is the small and medium businesses (SMB) market segment. Jose Roberto Mavignier, Frost & Sullivan's Industry Manager, commented that the "main drivers for the total market include the GDP growth of each country, the expansion of the SMB segment, the integrated offers of telecom services and IT (such as data centres and voice and managed services), and the development of specific verticals such as Government and finances". The report further states that the total Latin American market is expected to grow at a compound annual growth rate (CAGR) of 7.4 per cent through 2015.

The solution is not simple

The push and pull between declining rates and increased traffic demands force carriers and service providers in the region to be more responsive to the marketplace. It is incumbent upon these providers to find ways to leverage the growing adoption rate of technology in order to aid their own revenue growth projections. It is not always a simple task to configure and re-configure networks cost-effectively in order to handle increased voice and data traffic. Being creative with ways to trim costs, outsourcing non-core back-office tasks and finding ways to identify the right partners can make a tremendous difference in creating regional providers the opportunities to grow both traffic and revenue across their networks, simultaneously. ●

¹ Skype (<http://about.skype.com/press/2010/02/verizon.html>) Verizon Wireless and Skype join forces to create a global mobile calling community, February 16th, 2010

Figure 1

World Internet usage and population statistics	Population (2010 Est.)	Internet Users 31-Dec-00	Internet Users 30-Jun-10	Penetration per cent of Population	Growth 2000-10 per cent
WORLD TOTAL	6,845,609,960	360,985,492	1,966,514,816	28.70	444.80
Asia	3,834,792,852	114,304,000	825,094,396	21.50	621.80
Africa	1,013,779,050	4,514,400	110,931,700	10.90	2357.30
Europe	813,319,511	105,096,093	475,069,448	58.40	352.00
Latin America/Caribbean	592,556,972	18,068,919	204,689,836	34.50	1032.80
North America	344,124,450	108,096,800	266,224,500	77.40	146.30
Middle East	212,336,924	3,284,800	63,240,946	29.80	1825.30
Oceania/Australia	34,700,201	7,620,480	21,263,990	61.30	179.00

Source: Internet World Stats (www.internetworldstats.com) Copyright © 2000-2010 Miniwatts Marketing Group. All rights reserved worldwide.

Notes:
 1. Internet Usage and World Population Statistics are for June 30, 2010.
 2. Demographic (population) numbers are based on data from the US Census Bureau.
 3. Internet usage information comes from data published by Nielsen Online, by the International Telecommunications Union, by GfK, local Regulators and other reliable sources.