KEEPING AT THE HEART OF THE CAPACITY BOOM

NTT Communications expects the surge in 100G deployments in the latter part of last year to continue into 2016. As the company looks ahead, it will also maintain its focus on growth opportunities to make itself an even more attractive global partner.

The boom in new high-bandwidth applications meant that NTT Communications saw a surge in the market for 100G deployments in the second half of 2015 that it expects to continue this year. This has highlighted some interesting – and sometimes surprising – early trends that could shape the market moving forward.

As customers start to boost their networks, NTT Com is also carrying on with its strategic philosophy of ensuring it maintains its key role as a partner at all levels of the ICT stack: seeking for deals and data-centre opportunities that make its offering ever more attractive for customers all over the world.

"We really see ourselves as being an ICT provider, not just a telco," says Michael Wheeler, executive vice president of the NTT Communications Global IP Network business unit at NTT America. "The belief is that we can't really provide the full set of ICT services unless we have a good offering on a global basis."

Last year's 100G acceleration came after NTT Com announced the identity of its first customer for the technology in Europe – German web-hosting provider and data-centre operator Hetzner Online, with which it started the collaboration at the end of 2014. "We saw a pretty big uptick in 100G in line with what we expected," says Wheeler.

Although this overall trend was anticipated, there have been a few surprises along the way. One, says Wheeler, is that content players have not been as quick to move to 100G as network providers. At the same time, more small regional network providers have made the transition than expected, thus making up for that shortfall. "This has balanced things out and the overall combined effect is basically what we had been predicting," he says.

A further benefit of adoption by these smaller providers has been that NTT Com has taken on some more new customers rather than just upgrading existing national and global partners.

SPEEDING UP

As for 2016, Wheeler predicts that there will be no slowdown in 100G take-up by network providers, while adoption will accelerate among the content players. He attributes much of the discrepancy in take-up so far to a simple matter of timing, with content players tending to have last upgraded their routing hardware more recently than network providers.

"There are benefits to upgrading to 100G from the perspective of capex and network costs, but there are also operational risks and a lot of work involved. You have to make a judgement on the upsides against the costs of doing it at a particular point in terms of time, resources and risk. Some may just wait another year," says Wheeler.

He says nonetheless that customers will eventually make the transition because many now have multiple 10G ports in a single market, and it ultimately becomes easier and more efficient to pare these down.

Another interesting development among customers that have already made the move to 100G is that the vast majority have so far kept running at least some 10G ports alongside the new infrastructure rather than making an immediate full switchover – a strategy that Wheeler expects to continue this year. "I don't believe that will happen forever," he says. "Over time, those

Michael Wheeler, executive vice president of NTT Communications Global IP network

10G ports will certainly go away and there will be a full migration. But that was interesting because we weren't sure how people were going to manage that process."

These various trends mean that although NTT Com expects the 100G market to further accelerate this year, there is some uncertainty about exactly how it will pan out, with Wheeler saying that the company is likely to have a clearer idea when it heads into 2017. Nevertheless, these observations that NTT Com has been able to make amid the initial surge in upgrades are good indicators of the direction that those making the transition might take.

Wheeler expects some jumps in traffic around the world this year as larger customers come on board with 100G, breaking away from some of the constraints exerted by 10G architecture. And he predicts that, for instance, a customer with 20 lots of 10G ports will not just replace these with two lots of 100G ports, but will probably add a further 100G or 200G to cater for extra resiliency and redundancy in the network.

"They need to have some level of physical resiliency beyond just the resiliency or redundancy they already have in place, and they're going to make that type of investment because that's smart operational procedure. With that will come a bit of an upside in traffic flow because there won't be as many limitations around capacity," says Wheeler.

GOOD FITS

To carry on building up the global reach of its network, NTT Com continues to look at opportunities that fit well with its business, both in terms of acquisition targets and organic growth options. With regard to the former, Wheeler anticipates that the company's activity will be on a similar level to that in 2015 – with maybe one big deal on a scale comparable to its purchase of Germany-based European data-centre operator e-shelter last June, and one or two smaller ones.

The ethos behind buying e-shelter was that it fit well in terms of having a similar

customer profile to that serviced by NTT Com, including large-scale ISPs, network providers, cloud providers and content players. It was also a big player in Germany, where NTT Com had a network presence but no data-centre offering – with e-shelter having three data centres in the major European hub of Frankfurt and further sites in Berlin, Hamburg and Munich. It had also just opened its first data centre in Austria – in Vienna – and owned another in Zurich, Switzerland.

Wheeler says that NTT Com will carry on using the same philosophy moving forward, seeking acquisitions and data-centre opportunities in markets that provide a clear fit with its existing network and make sense economically, once a thorough business analysis has been carried out.

Furthermore, says Wheeler, "if we acquire the right companies with the right leadership, they're not just going to sit there and manage the one thing they already have. They're going to continue to look to expand."

As well as looking for new opportunities, NTT Com will maintain its focus on making the most of integrating the various companies that it has acquired in recent years, with a variety of data-centre and cloud deals in different parts of the world having helped expand its footprint – including RagingWire, Virtela and Gyron.

Organic growth also remains important, with Wheeler referring to data centres that NTT Com built from scratch in Hong Kong and Singapore in recent years. "We run and manage everything organically there, and those facilities are very successful," he says. He explains meanwhile that the data-centre business is not an ultra-high-margin one, so it is crucial that the company is able to offer colocation services from the ground up to make the most of the opportunity.

In line with this, the company's RagingWire subsidiary recently purchased 42 acres of land in Dallas so it could build a data centre covering 1 million square feet to boost its position in the US. Wheeler expects the facility to come online in the next year and a half.

BROAD FOCUS

As in the past, NTT Com will not centre its expansion plans on a single region. "I don't feel like there's a particular regional focus for us. For the most part, we think about the business on a global level," says Wheeler. "If we were only focused on one part of the world, I think that ultimately we would be at a disadvantage because our customers are global and have requirements everywhere in the world."

NTT Com expanded into Marseille with a new PoP at Interxion facilities

However, he gives some indications of the path that future expansion might follow. He points out for example that the company has already grown significantly in Europe in the last few years, with a further point-of-presence (PoP) added just a few months ago in Marseille, France, aside from the e-shelter buy. "That's not to say we're done in Europe, but I don't think there are a ton of markets I can think of that we aren't in there that have enough density to make a lot of sense," he says.

Wheeler says there are six or seven markets around the world that NTT Com continues to look into, with some in Latin America near the top of the list as means for expanding its presence there beyond its PoP in Sao Paulo, Brazil.
"One market that's really bumped up on our list is Argentina," he says, with the country's recent change in political situation meaning that NTT Com is ready to reassess the possibility of moving in, after considering the previous uncertain climate too risky. Another that it views in a positive light is Colombia.
"My prediction is that when we move forward in our next market in Latin America, it will be either Colombia or Argentina," says Wheeler. "We certainly don't have an official plan to do that; those two markets are just the best-equipped to support our kind of customer profile, and the underlying infrastructure is in the right place there as far as facilities, fibre access and subsea-cable access are concerned."

STAYING ON TOP OF THINGS

Any moves that broaden the global reach of NTT Com clearly have benefits going forward for partners that have a worldwide focus – and this applies as much to over-the-top (OTT) content players as to network providers.

Wheeler explains how relationships with

OTT partners are extremely important for NTT Com, as customers such as Amazon continue their rapid growth and require solid global support. "Their business is growing exponentially, especially the Amazon Web Services portion. Each market represents different challenges or opportunities, but when you have consistency from a backbone provider, I think that's a very valuable thing for them," he says. He adds that NTT Com has always embraced OTT players in an effort to work with them, rather than viewing them as adversaries, because they all contribute to the richness and diversity of the internet.

Meanwhile, although it has always taken centre stage, the security side of things continues to rise in importance as the network grows. With that in mind, NTT Com has made several acquisitions in this area in recent years, and plans in 2016 to continue to integrate those in a way that leverages its expertise and improves its security product set.

One area it is paying big attention to involves distributed denial of service (DDoS) attacks, which pose an increasing threat to networks. To deal with these, NTT Com is introducing products that analyse key network data and reroute incoming traffic to allow businesses to stay online and continue functioning during attacks. But whatever the products that NTT Com brings to the market, cybersecurity remains at the heart of its concerns.

Wheeler believes that NTT Com has a lot to look forward to this year: "In general terms for the business, 2016 looks very good. We continue to see a lot of great business opportunities in front of us from an internet perspective – after all, it's not like the internet is slowing down."

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