

Swisscom Signs Up Vanco to Extend Its Reach Globally

Neil Rickard, Katja Ruud

The telecom carrier Swisscom Solutions has signed up a virtual network operator to extend its connections and service outside its home territories. Competitors are likely to respond in the same way to creeping global consolidation.

NEWS ANALYSIS

Event

On 12 September 2005, Swisscom Solutions announced an agreement with U.K.-based Vanco to provide telecommunications services outside its home markets of Switzerland and Liechtenstein.

Analysis

Swisscom Solutions — the business services arm of Switzerland's incumbent telecom operator, Swisscom — became a separate legal entity from Swisscom in January 2005. Swisscom Solutions' partner for international services has been Infonet. But Swisscom, along with other carriers, sold its 17.7 percent stake in Infonet outside Switzerland to BT Group in February 2005.

Swisscom Solutions' agreement with Vanco is an early example of a facilities-based carrier partnering with a virtual network operator. It allows Swisscom to add Vanco as an international partner that is independent of the major carriers and their allies. And the agreement gives Swisscom Solutions exclusive rights to serve Swiss multinationals with Vanco services.

The deal will raise Vanco's overall credibility as a service provider. However, while Vanco gains the Swisscom Solutions sales force, it loses the ability to directly sell to Swiss multinationals. Many financial and other multinational companies are based in Switzerland, and the risk to Vanco is that some may see Swisscom Solutions as a local service provider and prefer to deal directly with global providers.

Vanco will still be able to source connectivity from other operators in Switzerland, for its non-Swiss clients. But, given the investment in integration that Swisscom Solutions and Vanco are proposing, it is hard to see how Vanco will be able to be "carrier neutral" in Switzerland.

Recommendations

- **Vanco customers:** Watch for the impact on Vanco's operations in Switzerland.
- **Swisscom Solutions customers:** Expect this deal to increase your options for international services. Watch for any issues that could arise if services are moved from Infonet to Vanco.
- **Swisscom Solutions and Vanco customers:** Ensure that your contracts have relevant clauses covering continuation of services. Negotiate terms and conditions for any migration, paying attention to timing and any risks of service disruption.
- **Infonet customers:** Expect other carriers to change their attitude to Infonet, now that it is a BT subsidiary.

Analytical Sources: Neil Rickard and Katja Ruud, Gartner Research

Recommended Reading and Related Research

- "Magic Quadrant for Pan-European Network Service Providers, 2005: Leaders and Visionaries" — Despite consolidation among these service providers, the arrival of more virtual network operators means the market remains crowded. **By Neil Rickard and Jean-Claude Delcroix**
- "Infonet Acquisition Will Widen BT's Global Reach" — Infonet's global coverage will benefit BT. Infonet customers should act to minimize potential disruption caused by

integration with BT Global Services and migration to BT's networks. **By David Neil and others**

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