

# NTT sets sights on uniting the Americas

NTT America made a big splash in the Latin American arena a year ago, spotting the potential to bring high-quality IP to the burgeoning market. The carrier has a laser focus on further expansion throughout the region to seize on the soaring demand for internet services.

**NTT'S OPENING OF ITS FIRST** South American global IP network PoP in São Paulo last September marked the start of a major regional expansion strategy. The company's experience over the last year has only served to increase its enthusiasm for enhancing its presence in the region, as it further confirms its belief that Latin America is "the" global growth market.

In its Visual Networking Index (VNI), Cisco forecast earlier this year that Latin American IP traffic volumes will rise at a compound annual growth rate (CAGR) of 49% to reach 7.6 exabytes per month by 2016. This is faster than the growth rate predicted for any other global region, bar the Middle East and Africa.

In order to seize on this potential, NTT has a broader regional strategy that eyes further PoPs in São Paulo and possible markets such as Rio de Janeiro, Chilean capital Santiago, Colombia and Argentina. The exact timeline is not yet confirmed, but David Berrios, director of business development for Latin America at NTT America, expects the company to be present in multiple markets in the region within 24 months. "From an economic perspective, regions like Europe and the US have been going through significant turmoil," says Berrios. "Latin America is very attractive because it has more stability from that perspective and has continued to thrive."

Berrios says NTT's first year since launching the São Paulo PoP has been "very successful" and the company has signed up a significant number of ISP and content customers to its IP backbone. "We have had meaningful success across the board with ISPs and have also secured global multinationals," says Berrios.

In addition, NTT has landed a major deal through a recent award from state-owned Brazilian telco Telebras to provide global IP backbone services. This allows Telebras to deliver robust services to a broad swathe of the Brazilian population at competitive prices and is intended to ultimately provide the vast majority with reliable internet access.

The partnership is in its early stages and Berrios says NTT and Telebras will see more benefits from the deal further along the line. The company's ultimate goal is for large parts of the Brazilian population to be able to enjoy NTT's global network reach through end user services from Telebras.

The partnership falls firmly in line with Brazil's Plano Nacional de Banda Larga, the government's national plan that runs until 2015 for delivering broadband across the country. "We want to capitalise on the momentum, as Brazil really is a booming space with a growing economy," says Berrios. This opportunity is set to grow as the country prepares to host the world's two largest sporting events in the next four years, with the World Cup in 2014 and the Olympics in 2016.

NTT has served Latin American customers from the US for many years and Berrios says that "once the Latin American market reached a certain size, we saw it as a huge growth

market. As the largest telecommunications company in the world, it made a lot of sense for us to extend to the region."

Prospects will improve further as the region's countries continue to urbanise and expand their economic centres. Berrios adds that "we're seeing a tremendous growth in the amount of content delivered in Latin America, with a mobile revolution in the form of 3G and upcoming LTE, and well over 100% mobile penetration in some countries. This all requires an immense amount of bandwidth."

## QUALITY VERSUS PRICE

A key cornerstone of NTT's Latin American ethos is the prioritisation of high quality over cheap prices. "We want to act as a differentiator in Brazil," says Berrios. "Anyone can provide low prices. We have great quality, competitive pricing, and we truly want to be a leader in value."

He adds that "the feedback from direct and prospective customers is that there is no high-quality provider across the whole of Brazil and there are huge reliability issues from a backbone perspective. This is not acceptable to us." Berrios says the desire of some players to reduce prices is resulting in even lower quality and stresses that NTT is unwilling to follow suit by cutting corners, despite the high cost of infrastructure.

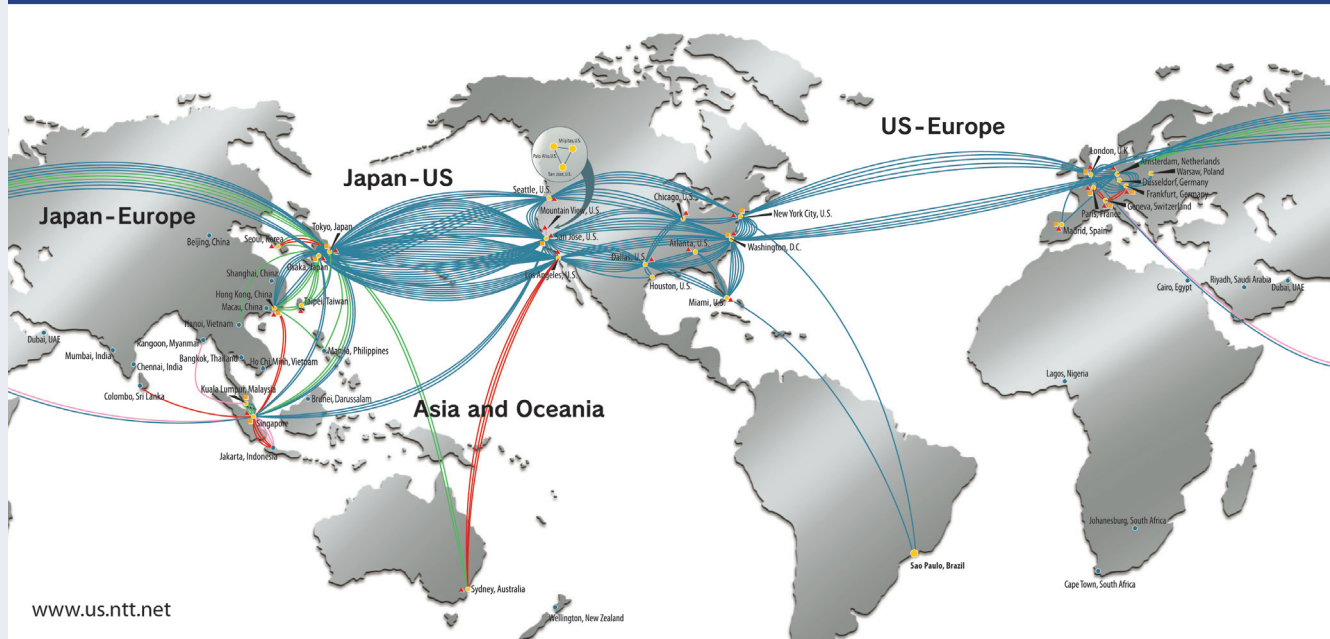
"It's important for carriers not to get caught in the trap of focusing on rapid price drops, as it quickly leads to lower quality of a network," says Berrios. "A balanced approach in which both quality and price are considered and which fosters a positive user experience is key to a successful growth model". Berrios highlights that many Latin American service providers currently use six or seven IP providers to achieve sufficient network reliability and redundancy. NTT aims to contribute to reducing this to the level of two or three providers which is standard in other parts of the world. The goal is to help service providers create a more streamlined operation with multiple economies of scale, reducing per-unit prices and improving quality.

According to Berrios, there are a number of factors that put NTT ahead of the game as it pursues its Latin American expansion. For one thing, he says that "NTT is the largest telecoms company in the world. This allows us to put significant resources into projects that we start. We are also a very liquid company financially, with constant investments in upgrading our network."

NTT also has a variety of advantages on the technology side, with research centres in Japan and the US for testing technologies and a global Tier 1 backbone that Berrios says "makes for lots of flexibility and seamless transit of customer data without having to rely on third-party solutions." In addition, he refers to NTT's pioneering of IPv6 technology and the provisioning of customer support out of their Dallas-based NOC. "NTT carries a



## NTT Communications Global IP Network



significant amount of key global content on our backbone which is something the Latin American market demands,” says Berrios. “We provide a solution to the region that is more reliable and efficient than offerings from other carriers.”

### AN OPEN MIND

Another major theme of NTT America’s journey in Latin America is that the company is open to multiple options for business expansion. This enables NTT to see how the region’s markets grow and how it may best serve customer needs before taking the plunge.

This is also why the carrier’s roadmap for expansion is not yet set in stone, even though it clearly sees the major promise that the region’s markets hold. Outside Brazil, Berrios believes that Chile in particular holds a great deal of promise and could be NTT’s next landing point. There is a high level of competition in the residential and enterprise market between providers like VTR, Entel and GTD, as well as healthy growth and few barriers to entry. Chile also borders Argentina and Peru and acts as a gateway to Bolivia. All these factors make Chile a very attractive market for the wholesale IP business. NTT additionally views Colombia as a market of great opportunity, with service providers that constantly seek to offer new technologies, a modernised regulatory framework and the potential to build infrastructure from there to connect to Central America.

Berrios highlights how NTT is also open to a variety of options on the network side, with the company considering similar relationships to that with Telebras, as well as co-location and the use of third-party providers. And the company is considering multiple options for subsea cables to help it gain control of the network and lower costs on the backbone, including leasing and owning cables and joining a consortium to run them. In any case, Berrios expects this major cost

component to fall over the next couple of years as new undersea cables are connected up to the region.

One challenge that Berrios cites is the creation of metro networks, which he says are very expensive to build in Brazil. He says NTT is considering different options, such as DWDM technology to help it link up data centres spread out across São Paulo: “This technology provides the ability to light dark fibre and carry out high-capacity transmission between locations. This is the same as our global approach – we evaluate the most current hardware offerings with a focus on delivering a high-quality product at a competitive price point.”

NTT’s flexibility in its options and open-minded approach to Latin America’s possibilities mean that it is perfectly poised to grasp the opportunities that the region presents. “Some have come in to disrupt the pricing model,” says Berrios. “We have come in to disrupt the quality and value model and change market dynamics from that perspective.”

This strategy could be important at a time when the region’s demand for internet connectivity is ready to explode. “Latin Americans are hungry for all types of information and want content here, now and everywhere,” says Berrios. “Mobile content, IPTV, over-the-top content, cloud services, data centres and locally-developed content are on the rise. The combination of all these factors creates a perfect storm for traffic and network growth.”

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