

BT steps up Japan hopes with KDDI deal

June 26 2006

It may be one of the most cut-throat markets in the world for telecommunications providers, but BT is banking on its latest venture with a Japanese carrier to bolster not only its presence in the country, but also globally.

On Monday, Britain's largest telecom group signed a deal with KDDI to form a joint venture with Japan's second-largest telecommunications operator that will manage communication networks for multinational corporations, particularly Japanese companies operating overseas.

Never mind that British mobile giant Vodafone pulled out of Japan less than a year ago as it failed to make headway in the country against rival domestic carriers. BT is upbeat that it can be financially successful in Japan and beyond through its 50-50 partnership with KDDI. About 100 employees are expected to be employed by the newly created company who will be backed by both BT and KDDI, and BT pointed out that the bulk of its operations and resources in Japan will be transferred to the joint venture.

"As the world's second largest corporate market, Japan is high on BT's priority list, and with good reason. Industry reports estimate the size of the current outsourcing market in Japan at approximately \$90 billion, twice the size of the rest of Asia Pacific markets combined.

Furthermore, the challenges of managing global networking technology, coupled with greater demands on performance, reliability and security, are projected to drive significant growth for network outsourcing," said Andy Green, chief executive of BT global services who was in Tokyo to

take part in the signing ceremony to set up a new joint company.

"The joint venture agreement with KDDI is a perfect fit to address this market demand, with BT bringing its global capabilities and proven outsourcing track record, and KDDI contributing local relationships, capabilities and focus on the Japanese market. BT Japan's and BT Infonet Japan's existing customers will be serviced by the JV. In addition, the JV will bring an extended range of service possibilities benefiting companies headquartered in Japan with international operations," Green added.

Key clients are expected to be Japanese companies, particularly manufacturers with overseas operations, such as carmakers with factories in China that can take advantage of an improved communications network between the Tokyo headquarters and local factories. The new company is expected to start operations Aug. 1, and sales by the end of the first year are expected to reach about \$43 million (5 billion yen).

Of course, not even Vodafone has retreated from Japan entirely, even though it struggled during its five years trying to do business in the country on its own. Now, though, the world's largest mobile group has decided to stay on in the Japanese market by partnering with Softbank, a local software giant that bought out Vodafone's Japan operations earlier this year. Analysts broadly agree that Vodafone has a better chance this time around by joining forces with a local company that is more in tune with the domestic market, even though Softbank is a new entrant into the telecom market. Similarly, many industry experts expect the tie-up between KDDI and BT to be more successful than if BT were to strike it out on its own. Meanwhile for its part, KDDI made clear that it hopes to benefit from the British carrier's extensive international network.

"A current trend of our customers is to move towards contracting for

global solutions to satisfy their network and information technology needs. Harmonizing the resources and know-how of BT's global services with the experience KDDI has built up over many years of providing Japan domestic and international services to our Japan clients will, I am convinced, result in a total global solution that will meet their extremely high expectations," said KDDI Chairman Tadashi Onodera.

Copyright 2006 by United Press International

Citation: BT steps up Japan hopes with KDDI deal (2006, June 26) retrieved 10 April 2024 from <https://phys.org/news/2006-06-bt-japan-kddi.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--