

France's Orange Telecoms Race Takes Stamina

By [Rachel Nielsen](#)

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Orange Business Services head Christophe Joanblanq **Vladimir Filonov**

Both sports and business have given Christophe Joanblanq a firsthand feel for the country's vast geography.

When he isn't running Orange Business Services in Russia — France Telecom's division selling corporate telecommunications services using the 14,000 kilometers of network infrastructure it has in Russia — Joanblanq is traversing 50 kilometers at a time on his cross-country skis in races throughout the country.

While his competitive skiing takes him from Murmansk to Yekaterinburg, his work week consists of directing more than 1,000 employees who are maintaining the company's network and supporting customers out of 11 sales offices as far-flung as Sochi, Kaliningrad and Novosibirsk.

Scale is a big part of the telecoms picture in the world's largest country, where companies like Orange are touting services to win customers in a field full of foreign and small domestic operators but dominated by four major local players: MegaFon, Mobile TeleSystems, VimpelCom and Rostelecom.

The revenue earned by both domestic and foreign companies in the corporate telecoms services market was 250 billion rubles (\$8.5 billion) in 2011, said Konstantin Ankilov, managing partner at Moscow's iKS-Consulting. Orange says it is the third-largest player in that corporate market, holding 15 percent market share for both data transmission services and IT services.

Dynamic Business Model

Other foreign operators competing in this segment in Russia include Britain's BT and U.S. companies AT&T and Verizon, which all have their own network nodes. Many other national operators such as Germany's Deutsche Telekom and Japan's NTT are here, but they are primarily focused on interconnecting with wholesale operators or serving customers via local partners, according to industry experts.

Though foreign multinationals frequently buy from these companies, which are their global suppliers, Russian firms tend to favor the large, well-known domestic players or have a favored small operator — which then goes to the major players to buy national and global connectivity.

Joanblanq is counting on a focused approach toward small and midsize business customers and progressive internal practices aimed at maximizing the input from his employees to maintain and increase Orange's share of the corporate pie.

Though Orange Russia has existed in one incarnation or another for more than 50 years and has been 100 percent owned by France Telecom since 2005, it has dramatically increased its customer numbers just in the past half decade. Selling fixed-line voice, IT and network services to businesses of all sizes, Orange Business Services now has about 5,000 direct customers and about 15,000 indirect customers, which buy Orange services through resellers. In 2010, Orange Russia launched a program targeting small and medium enterprises, or SMEs.

"Directly, we have acquired more than 1,000 customers" through the two-year-old SME strategy, Joanblanq told *The Moscow Times* in a recent interview.

The strategy of targeting the SME segment was conceived by Orange Russia and pitched to global headquarters. "We convinced the mother company that it was good for the business," Joanblanq said. "We had invested several tens of millions [of euros] into building our own network infrastructure, and of course, the more customers we can sell services running on this infrastructure, the better the payback," he said.

Of the 14,000 kilometers of fixed lines leveraged by Orange, it owns all of its 8,000 kilometers of backbone and both owns and rents its 6,000 kilometers of access lines. It has built up this network over the past decade.

In addition to having a network expanse, Orange also has benefited from acquiring a long-

distance license in Russia in 2008. "In indirect sales, we went from close to zero to 15,000," Joanblanq said.

There are just over 1,000 workers in Russia to keep the company humming. Orange Business Services has about 300 employees in sales, marketing, billing and administration. Meanwhile, developing and maintaining both physical infrastructure and company systems is handled by about 500 employees in network, operations and IT.

Competitive Landscape

There is plenty of competition. Domestic operators such as MTS, VimpelCom, MegaFon and state-controlled Rostelecom are the real giants, with the infrastructure and staff to back them up. Rostelecom has a network that stretches 500,000 kilometers and provides the only telecoms infrastructure access to 35 million households in Russia, according to the company's website.

"Rostelecom is the biggest competitor for them," Yuly Matevosov, a senior telecoms analyst with Alfa Bank, said about Orange. Matevosov said all four of the big domestic operators are serious rivals because they can offer competitive pricing and greater connectivity throughout the country.

Joanblanq views services such as video conferencing and hosted cloud computing and partnerships with companies like Cisco Systems and Microsoft as key to differentiation and growth. "We see that the IT services market is growing in double digits year on year, and we want to be a fully fledged telecom operator and IT integrator," he said.

He is concentrating on internal policies as well to gain ground on his competitors. Joanblanq, who has been with France Telecom for 25 years and served as a manager in Poland from 2005 to 2008, has been in Russia for four years, serving as country manager for the last two. He has found that in Russia, as in Poland, employees are hesitant to send ideas up the management ladder.

To counter that, Orange has formal programs in place, such as a process allowing any employee of the company to submit an idea, "even to improve revenue or to optimize costs or to optimize well-being at work," Joanblanq said. "There is a guarantee that the idea will be looked at by a panel of experts and then pushed through to realization if it makes sense."

Russian Nuances

Orange Business Services faces what Joanblanq called constraints from the telecom regulatory environment here. For example, Russia doesn't have number portability, which would let a customer go from one operator to another while retaining his number. There also is no legal framework for unbundling. That would oblige the operators owning the "last mile" — the final leg of the physical network that connects to a customer's office or factory — to allow smaller players like Orange to use the network to sell end-to-end connectivity.

"The absence of such regulations is obviously a big plus for the established players. For us, it's obviously a big minus," he said.

To increase revenue and loyalty, Orange is offering more value-added products and services. One of its more popular products here is video conferencing, which lets companies hold virtual face-to-face meetings and bridge the country's nine time zones.

Joanblanq will have crossed all of those time zones by the time he finishes a ski-race tour this April. He already has completed cross-country skiing competitions in many of the cities where Orange Business Services serves its customers, including Murmansk, Yekaterinburg and St. Petersburg. The last one will be in Kamchatka.

"During the first hour, you see the wonderful landscape, nice people, nice sun," Joanblanq said. "In the last hour, you say, "What am I doing here? This is crazy. I should never do this anymore. It's too difficult. Next time, I will do half the distance!"

"Then, as soon as you've crossed the finish line, you say, 'Wow. ... I did it. So when is the next one?'"

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