ITU & AREGNET workshop on the OTT services

Relations between TELCOs and OTTs

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Relationship between TELCOs and OTTs

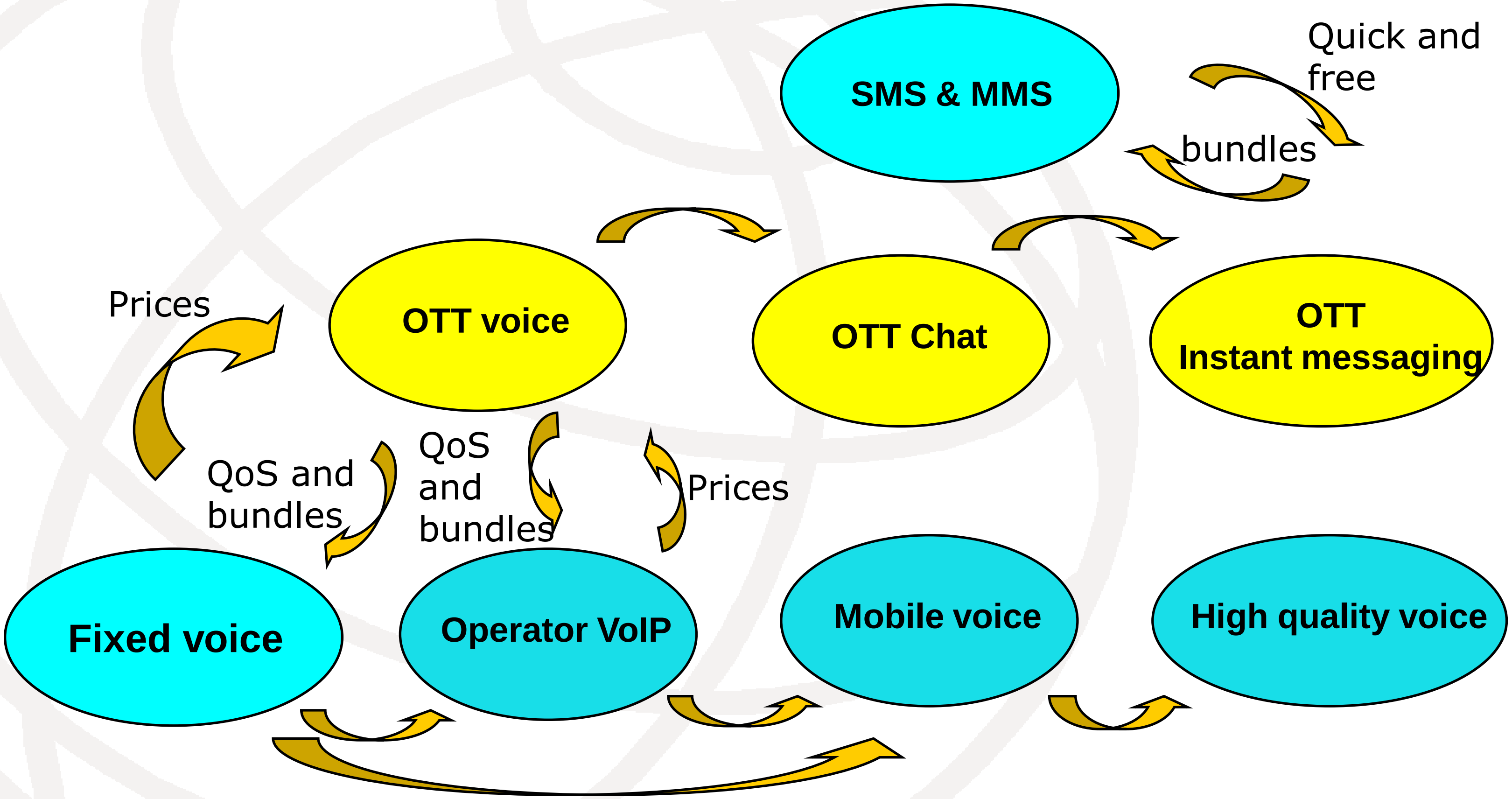
- **Dynamics of services migration flows and market niches**
- **Strengths and Weakness for TELCOS and OTTs**
- **Strategies for evolution**

Relationship between TELCOs and OTTs

- OTTs appear as a **disruptive offer** to capture and extend Telecom services
- **New technologies** potentiate migration flows inside TELCO´s solutions and OTT´s solutions
- Innovation and **customer centric offers** determine migration flows among market offers

Relationship between TELCOs and OTTs: Services migration flows

Highlight of voice and services migration towards other solutions, related drivers and reverse flow drivers

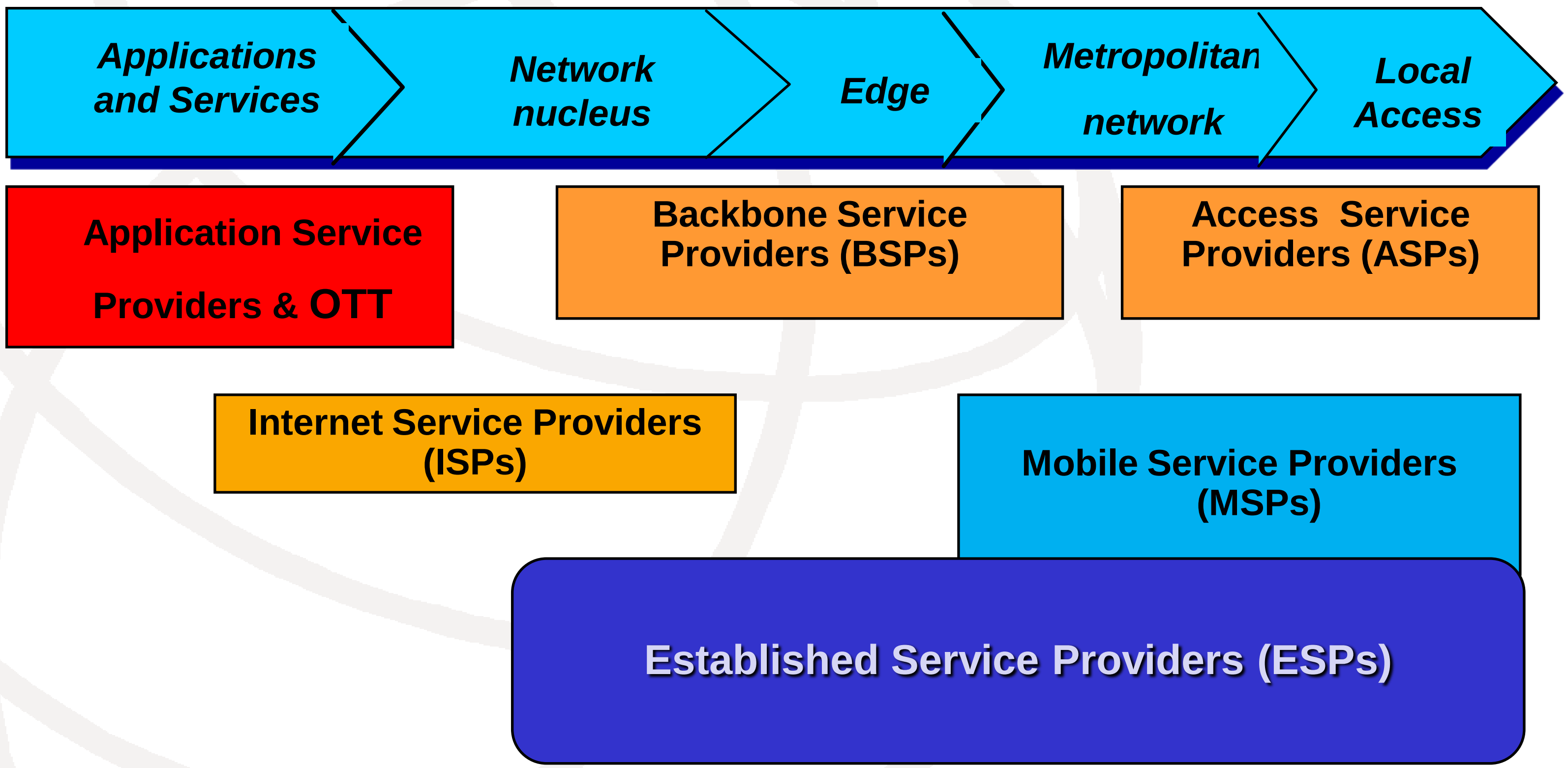


Overall voice traffic increases but is shared among all existing solutions

SMS: Short Message Service
MMS: Multimedia Message Service
QoS: Quality of Service

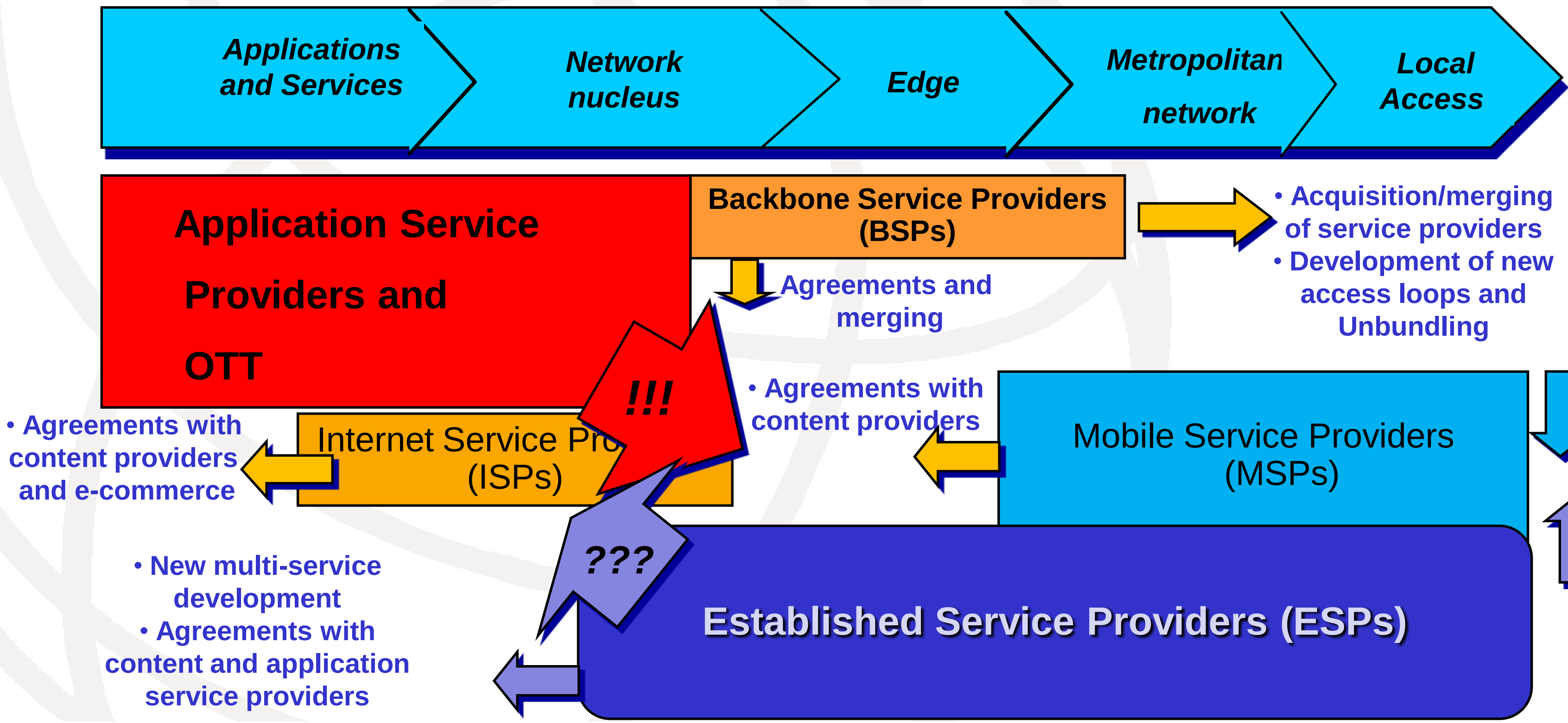
Relationship between TELCOs and OTTs: Business domains and trends

Example of Value Added chain for telecom players (Static view)



Relationship between TELCOs and OTTs: Business domains and trends

Value Added chain: TCOs and OTTs movements to gain economy of scale and market (dynamic view)



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Relationship between TELCOs and OTTs: OTT positioning

Strengths for OTTs

- Benefit from worldwide coverage by internet and quick deployment
- Exploit of large economies of scale (potential of 3 billion customers)
- Exploit high broadband data capacities
- Benefit from publicity revenues
- High negotiation power towards suppliers
- No constraints for OTTs derived from regulatory rules

Relationship between TELCOs and OTTs: OTT positioning

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Weakness for OTTs

- Difficulties to assure end to end quality control and OSS/BSS support
- Less advantage for proximity and consumer experience related requirements
- Lower capability for country national and local dependent services
- Limited capability for specific routing mechanisms and traffic flow control

Relationship between TELCOs and OTTs: OTT positioning

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Strengths for TELCOs

- Property and control of network infrastructure
- Capability to implement network management and required algorithms
- High economies of scale in large countries
- Proximity to customers to know user requirements and experience
- Positive perception by contribution to the Universal Services Fund and to national Taxes.

Relationship between TELCOs and OTTs: OTT positioning

Weakness for TELCOs

- **High investments needed for broadband network capabilities**
- **High inertial behavior for technology modernization and introduction of new services (not sufficient innovation)**
- **Low economy of scale in low size countries**
- **Subject to regulatory constraints that sometime are too rigid and/or uncertain**
- **Reduction of business results due to local taxes**

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Relationship between TELCOs and OTTs
Industry Initiative for multiservice compatibility

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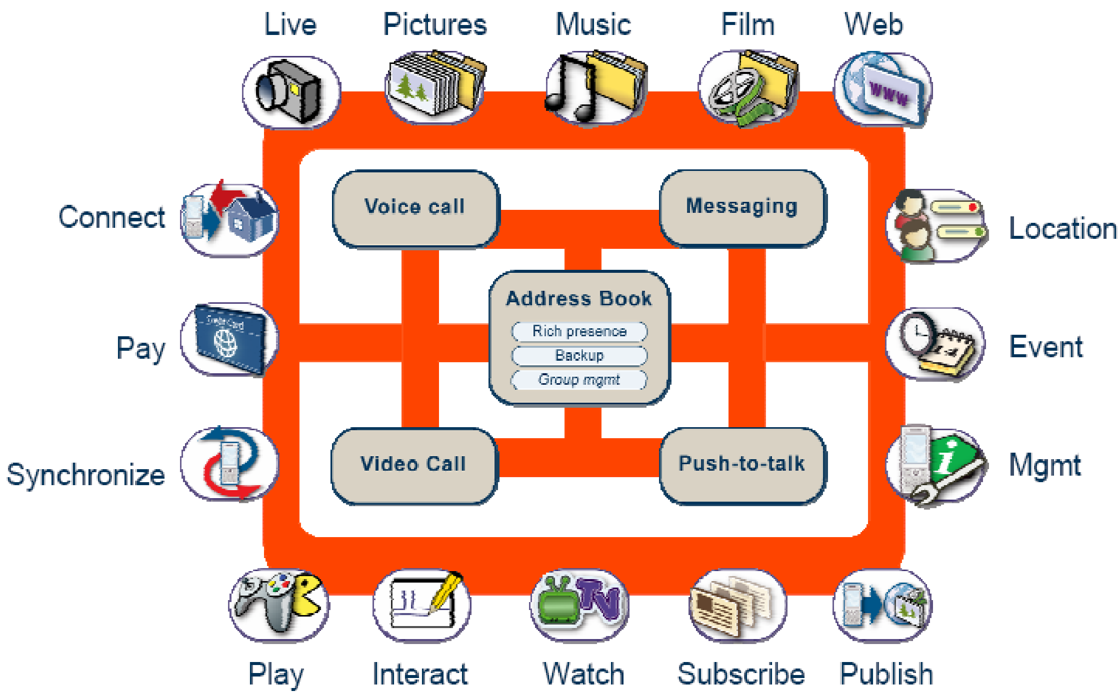
Forum multioperator and multisupplier to reinforce new IMS (Internet Protocol Multimedia Subsystem) based services compatibility and interoperability from the operator side

Relationship between TELCOs and OTTs
Industry Initiative for multiservice compatibility

RCS Vision - A richer experience

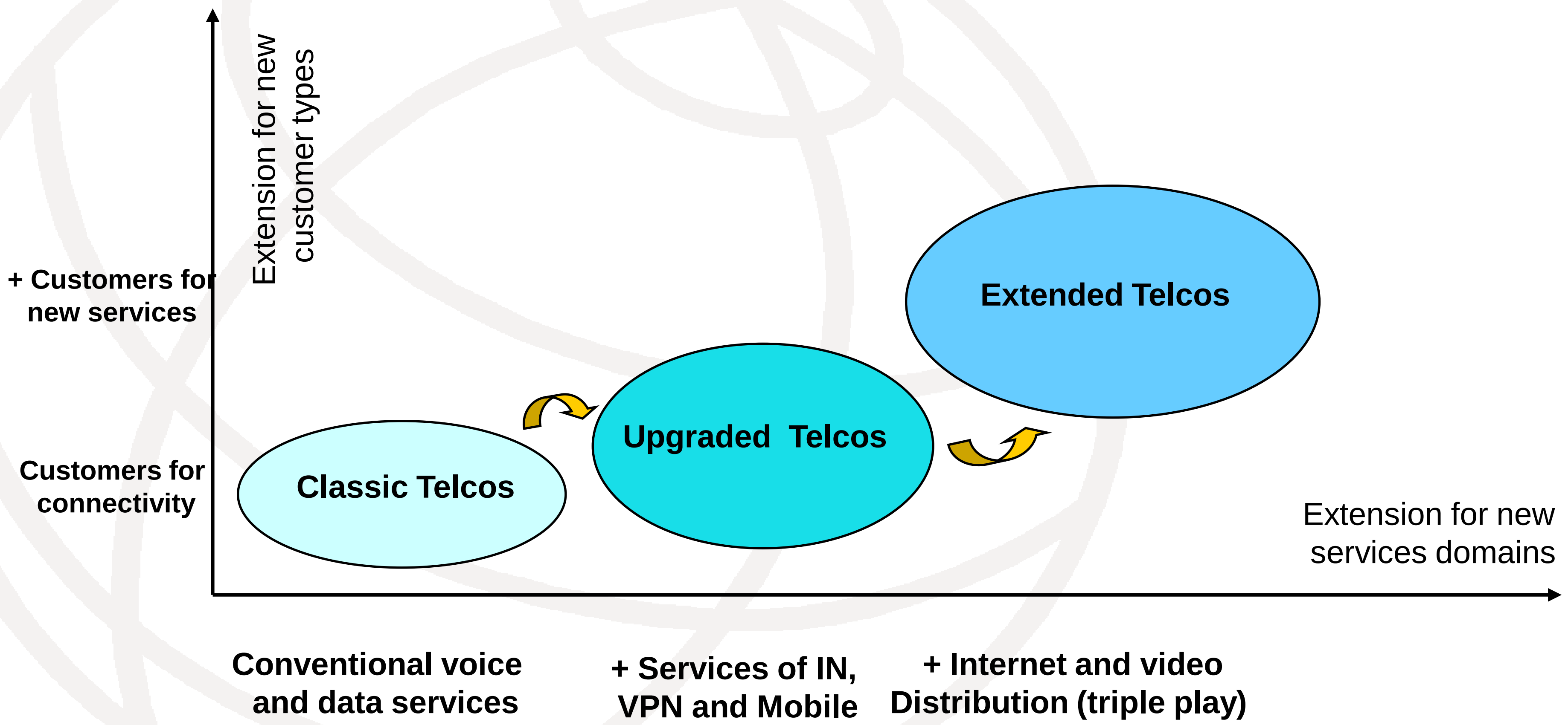
Freedom, control and belonging



Vision by the RCS forum for personalized services and social networks based on generic functions and affinity grouping

Relationship between TELCOs and OTTs
Strategy on Business Migration Leaps

“staircase” for leading growing alternatives



IN: Intelligent Network

Relationship between TELCOs and OTTs

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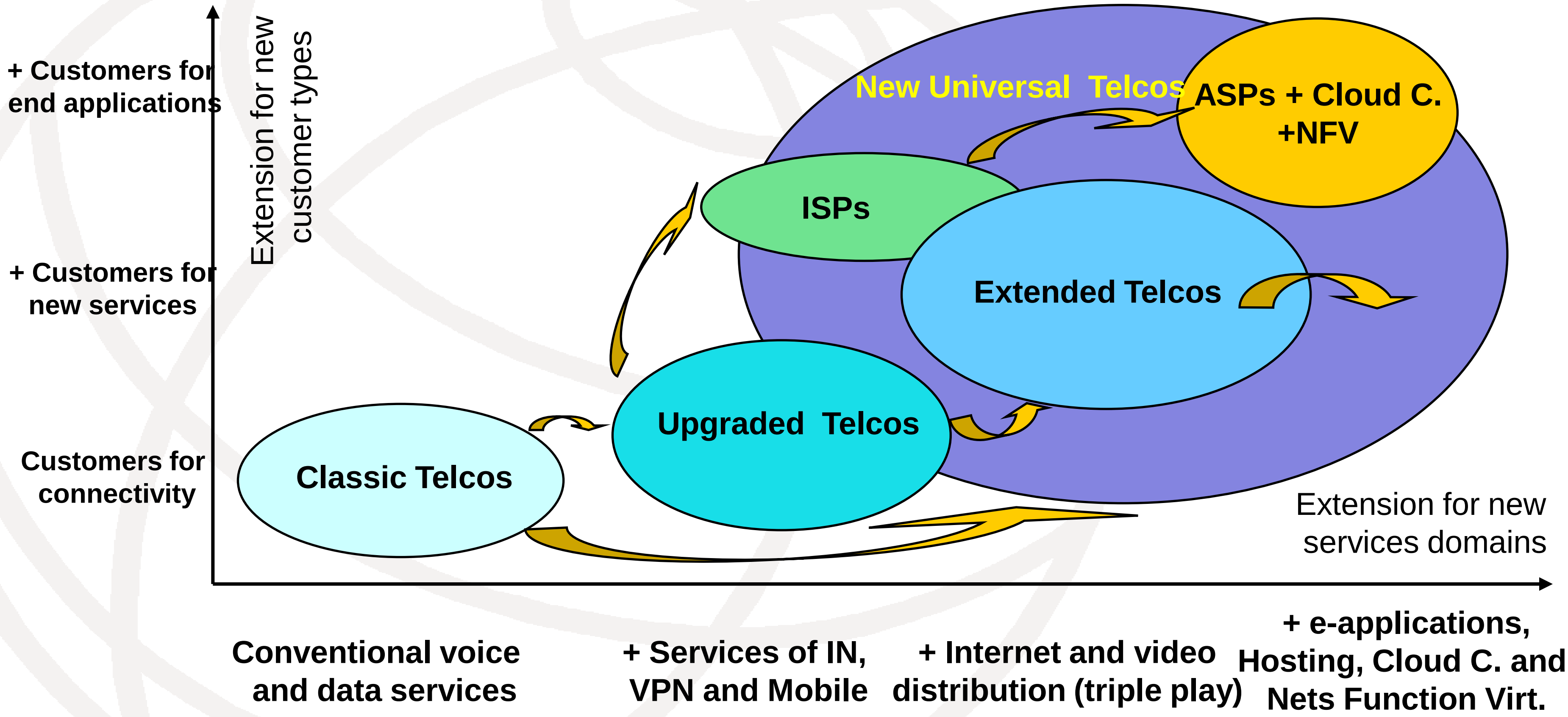
Strategy on Business Migration Leaps

“staircase” for New Universal Telcos from operator and web sides

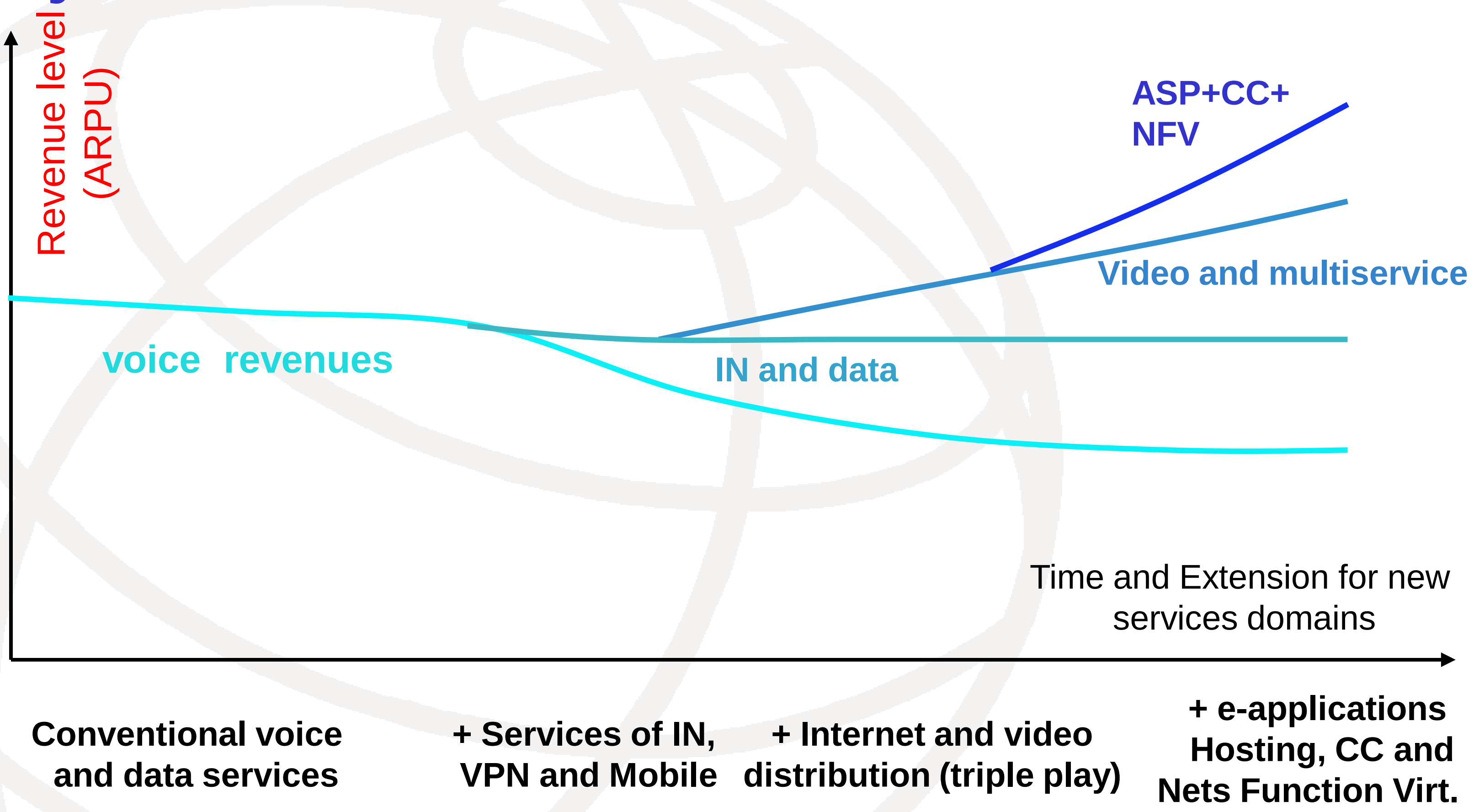


Specific migration and timeframe to be optimized for the country context and regulatory conditions

CC or Cloud C.: Cloud Computing

Relationship between TELCOs and OTTs
Trends on Convergence

Projected evolution of revenues with service domains



Convergence strategy is fundamental to grow in a competitive environment and compensate from voice revenue decrease (typical 7% per year)

Relationship between TELCOs
Current attitudes by service providers (I)

• 1- Ignore or obstruct OTTs capabilities and offers	↓	• Loose position for customers and TCOs
• 2- Replicate OTTs offers within the in-house potential service provisioning	⟺	• Potential if large and innovative TCOs
• 3- Provide services to OTTs under demand	⟺	• Potential if fair negotiation and revenue sharing

Relationship between TELCOs
Current attitudes by service providers (II)

- 4- Create subsidiary OTT companies to compete directly with existing OTTs ⟺ • Possible for large TCOs with modern technology and NFV

- 5- Joint development of applications with carrier grade quality with selected OTTs and use of Open Operation Platforms ⇧ • Most common solution for modern digital TCOs with proper negotiation of revenue sharing

Relationship between TELCOs and OTTs
Recommendations for operators actions

- Analyze specific demand of new services and consumer experience per country
- Develop flexible tariffs and bundle offers
- Innovate services to exploit technology capabilities
- Positioning of service providers for higher value added in the services chain
- Define best strategy for competition versus win-win cooperation or partnership with OTT's

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