OTT SERVICES IN CONTEXT

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News on OTT Players

AZ Decision Science
Consulting

Telecom launches OTT app to rival to 'WeChat'
21 Aug 2013
China
China Telecom, the smallest of the nation's trio of wireless providers by subscribers, has launched its own instant messaging service, 'YiChat', to compete with Tencent's popular over-the-top (OTT) app WeChat. Tech Hive writes that Telecom's new app allows users to send free text and voice messages and does not require the recipient to have YiChat installed on their device.

How to Respond to the OTT Threat
AOver the Top (OTT) players such as

WhatsApp hits 350 million monthly users
By Jamie Stevenson for Telco-OTT Today | October 22, 2013
Jan Koum, CEO, WhatsApp has revealed that the mobile messaging service has hit 350 million active monthly users. Only 17 months ago WhatsApp announced its global user-base as 75 million and the growth rate is outstripping last year's bullish analyst forecasts such as that made in a 2012 whitepaper by MobileSquared, in which he predicted the service would hit 250 million users by 2016. The announcement in June 2013 that WhatsApp had hit 250,000,000 users represented a user growth of 233 percent in 12 months, and there appears little sign of slowing.
Twitter has over 230 million users and the daddy of them all, Facebook, has over 1.2 billion. Arriving late to the OTT party means MNOs have a mountain to climb

OTT Services to Slice $23 Billion from SMS Revenues by 2018
Published on: 12th Nov 2013
Global annual SMS revenues will fall to around US$97 billion in 2018, down from US$120 billion this year, according to Informa Telecoms & Media, as the adoption and use of OTT messaging applications continues to rise.
By region, Asia Pacific is forecast to experience the highest drop in annualSMS revenues over the forecast period, falling from US$45.8 billion in 2013, to US$38 billion in 2018.

OTT VoIP costs: 'Death of telephone' exaggerated

LONDON, UK: While over-the-top (OTT) VoIP services are not about to replace traditional telephony, they will have a marked impact on telcos' revenues over the next eight years, according to Ovum, one of the Datamonitor group of companies. Forecasts from the global analyst firm reveal that OTT VoIP will cost the global telecoms industry $479bn in lost cumulative revenues by 2020, which represents 6.9% of cumulative total voice revenues.

Characteristics of OTT Telco Players

- Apps are a focal point for end users … connectivity less interesting
  - Brand value and market value of Operators is diminishing
  - For most people APP is the service
- Separate Service From Delivery Infrastructure
  - OTT is a network-agnostic delivery mechanism for digital services that were traditionally delivered in an integrated fashion with network connectivity and by network operators
- Separate service architecture from delivery infrastructure.
  - No technological integration between the OTT service and the underlying network infrastructure
- Separate service revenue from infrastructure revenue
  - SMS service revenue giving way to WhatsApp type message services
- OTT Services personalized to end user

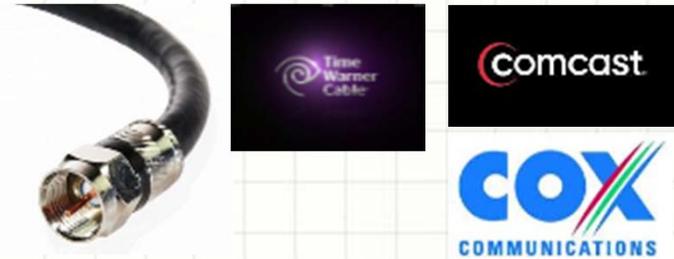# Nothing New about OTT

Amazon, e-commerce sites
US Post Office **OTT**

OTT HBO, ShowTime, Netflix, etc
Netflix accounts for 50% of all NA fixed data

Sponsored credit cards, ecommerce sites, PayPal, e-wallet **OTT**

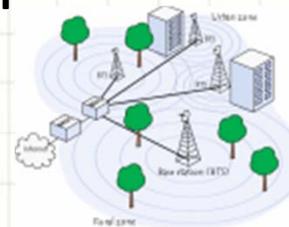Clearing House Network

OTT Spatial Mashup Services

Google

Map Service APIs

OTT

**Mobile Internet**:
1000's of App players & non-subscription service providers providing service independent of mobile wireless infrastructure

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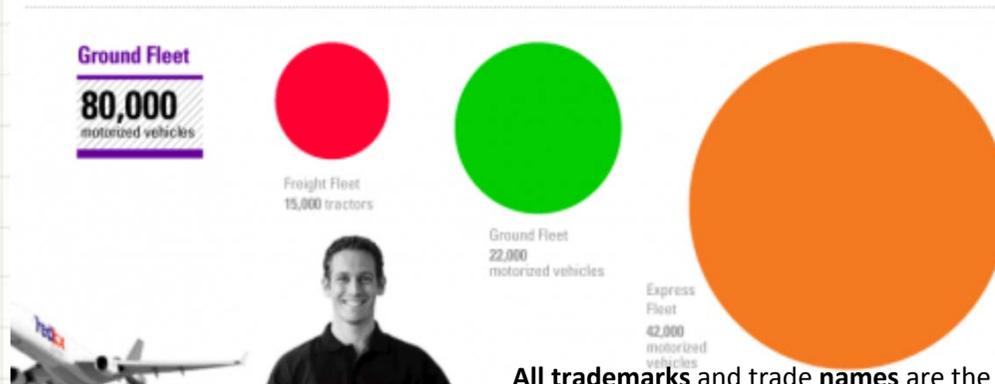
What can we learn from FedEx?

- Why look at FedEx?
  - Biggest Customers: US Post Office, Amazon, large & small enterprises, numerous E-Commerce companies that in many cases could be viewed as competitors (Over the Top), Large seamless global network

- Business Strategy: Provide high value-added logistics, transportation and related business services through focused operating companies

  - **Build out a global robust & secure network that addresses differing customer needs**
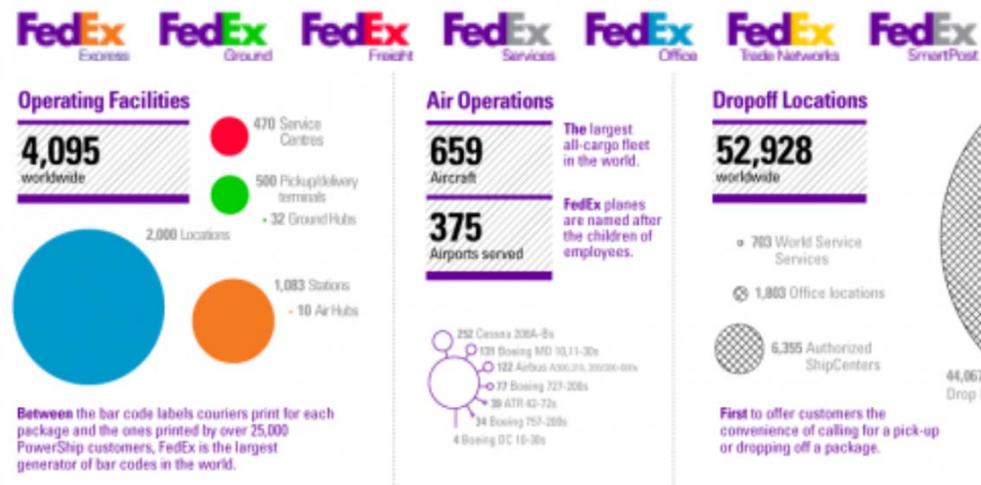
"Operate independently, compete collectively, and manage collaboratively"

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What can we learn from FedEx (Con't)?

- **Utilize technology to improve customer service not for competition**
  - **Bar Code Scanning, COSMOS (People, Packages, Vehicles, Weather in real time)**
  - **DADS (Digitally Assisted Dispatch System to coordinate all on-call pickups)**
  - **Integration with Customer through <u>enterprise APIs</u>**
    - **<u>Make the packaging, logistics and transportation platform easily accessible to the enterprise</u>**
    - **<u>Integrate with existing enterprise software with Ship Manager API</u>**
      - Registration and authentication for the enterprise
      - Global shipping
      - Access FedEx Express, Ground and Home Delivery Reporting & Monitoring
      - Preparation of shipping labels, air waybills, courier dispatch, etc for printing
      - Email inbound shipment notification to recipients & others
- **Higher value through industry sector focus on customer needs**
  - **Example of FedEx service over the top of FedEx**

  <u>FedEx Customized Healthcare Solutions</u>
    - Monitoring and Visibility
    - Secure services (Geo-fencing, tamper resistant end to end delivery
    - Temperature Control   (sensor integration)
    - Supply Chain Management (shipping overseas with pre-qualified brokers)

Success of FedEx depends on success of their OTT Players

OTT players build their value over the top of economic platforms

- OTT players build their value over the top of economic platforms (platform + OTT = Increased $$$)
  - Mobile Internet Platform + APPs
  - Logistic & Transportation Platform + Commerce Apps
  - Search & Mapping Platform + Location Sensitive Apps
  - Financial Transaction Platform + Payment or credit Services
- Characteristics of Economic Platforms
  - Mediation among a large number of people / companies who gain capability because the platform gives them a <u>coherent, relatively automatic, and continually improving way to communicate with each other</u>
  - **Platform is a standard or set of standards**
    - **Defacto or market negotiated**
    - **Not decreed by government regulators as formal standard**
    - **Focused on well defined market problem**
    - ***Chosen by millions of users as convenient and trustworthy and self improving***
    - **Determined by customers**

Improving the mobile Internet platform for OTT Services & Consumers (Taking a hint from FedEx)

- Operators should Partner with OTT providers not compete
- Example of areas where partnering might bring more value to OTT
  - Up the quality and predictability of OTT services:
    - QoS delivery for certain high-value OTT offerings like HD video or SLA-based videoconferencing.
    - focus on providing network management and connectivity services on behalf of OTT companies
  - Enabling dynamic pricing models from analytics & support for marketing programs
    - real-time in-memory analytics tools operators will can improve their offerings around feedback and add effectiveness by tracking information such as:
    - how many eyeballs are looking at what type of content
    - how quickly people are clicking through the advertisements if they can
    - Spend management (prevention of bill shock)
  - Offering identity & fraud protection services
    - Operators are well positioned to act as trusted brands and players with the required expertise in this space
  - Operators in concert with middleware providers should reach out to OTT players to better understand areas in need of improvement

Future Services for OTT

- OTT players exist in many industries
- OTT Players depend on underlying economic platforms to build value
- Treat OTT Players as partners not competitors

Operators should reach out to middleware developers and successful OTT Players to better understand how to improve the overall mobile internet economic platform.

Thank You