The Size Zero Service Provider.

Broadband Stakeholder Group

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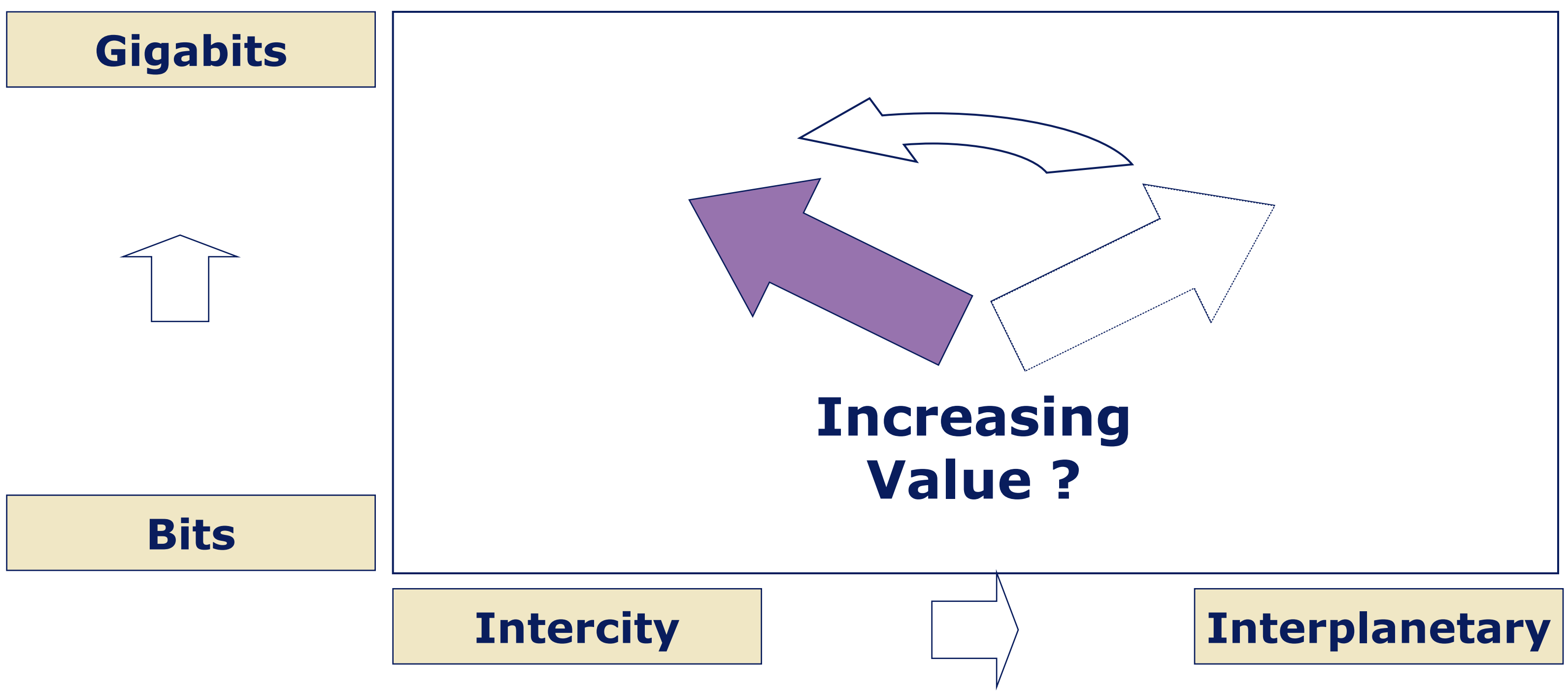
Audit.Tax.Consulting.Financial Advisory.

The Last Frontier?

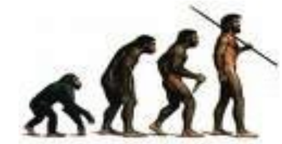
Telcos have in the past focussed on providing ever faster links across ever expanding distances:

From bits to gigabits; from intercity to interplanetary!

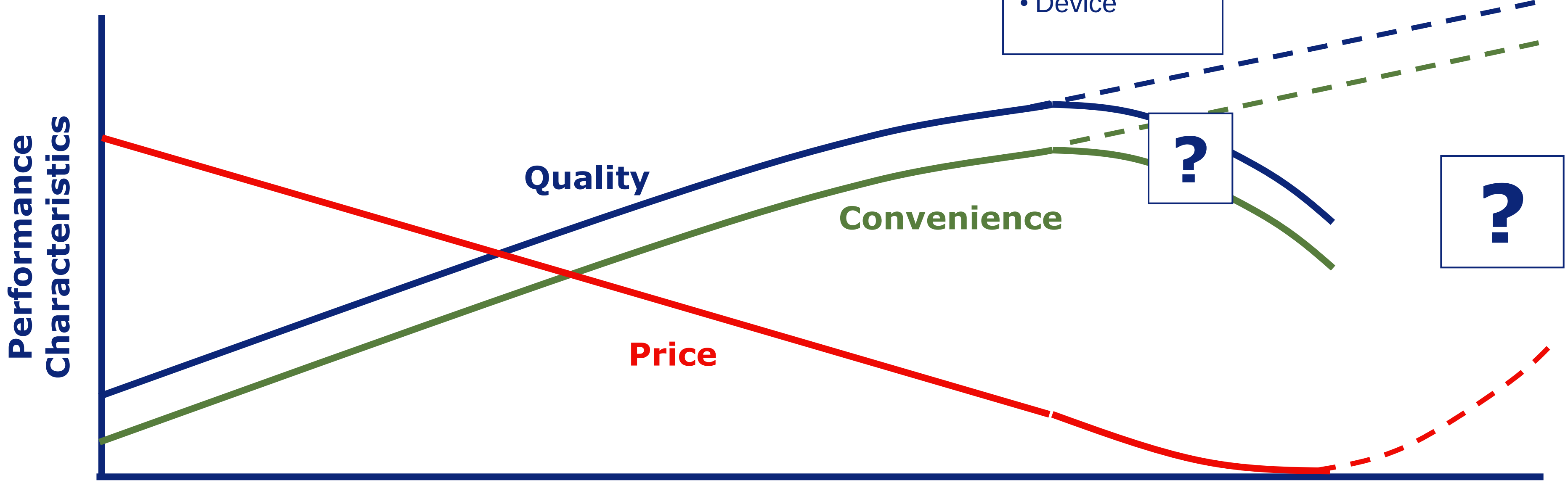


The last frontier may be much closer to home

The Evolution of the Species



Evolution	Telegraph	Strowger	SPC	Digital	IP	Mobile	NGA ?
Defining Benefit	• Speed	• Speech	• Control	• Quality • Features • Security	• Cost • Functionality	• Convenience • Device	• Performance • Convenience • Functionality



Competitive Strategies Continue to Evolve

Content

Content-led businesses exploiting access to and distribution of media rights

Customer

Service-led businesses exploiting intimate customer knowledge and full-life engagement

Infrastructure-led businesses exploiting assets, scale and radical efficiency

Connectivity

Business 'DNA' will centre around one of the 3 Cs

Each Requires Different Ingredients for Success

Strategy… **… Requires**

Customer

- Brand
- Agility

Content

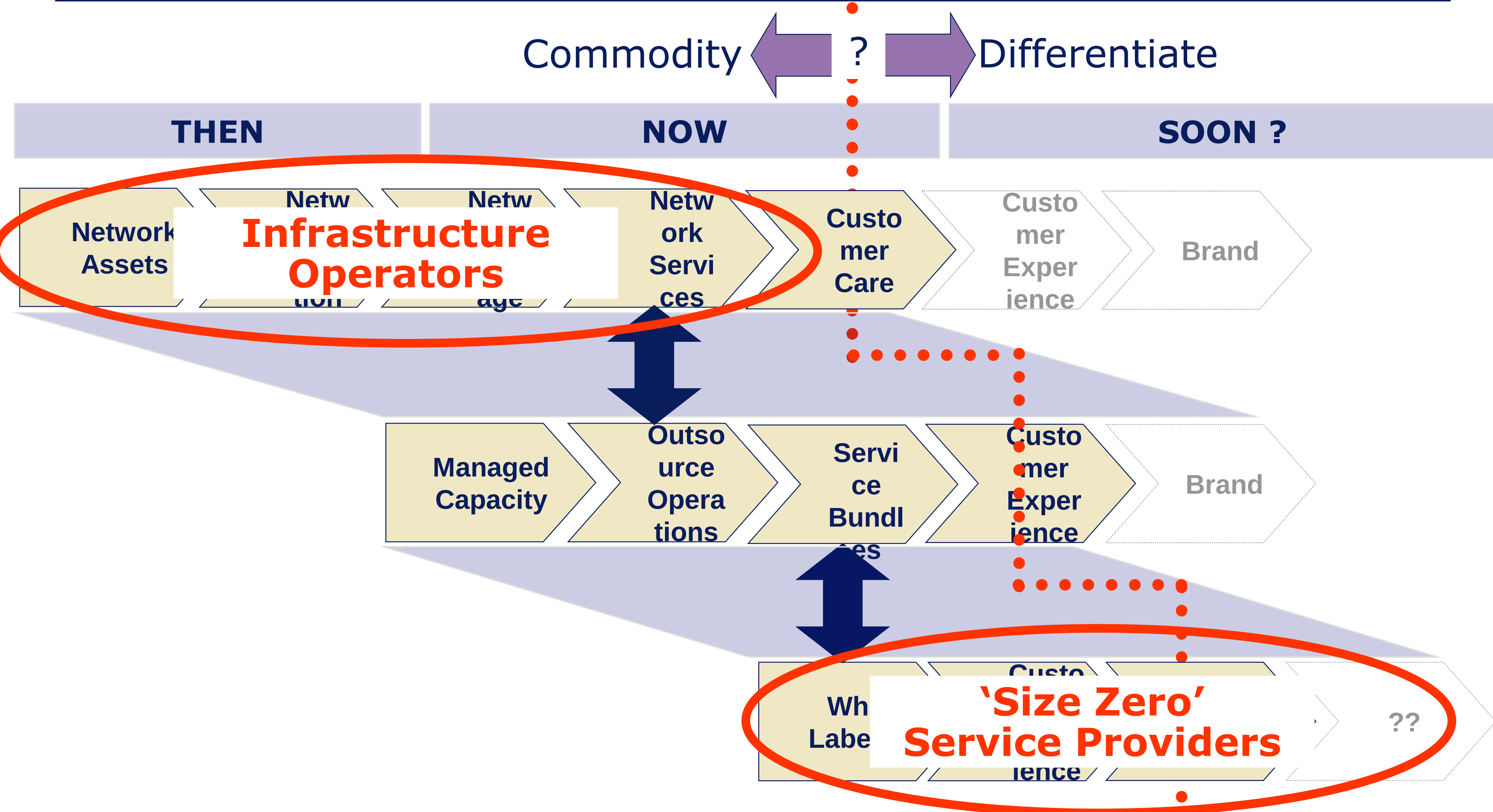
- Blockbusters
- Revenue model

Connectivity

- Scale & Efficiency
- Reliability

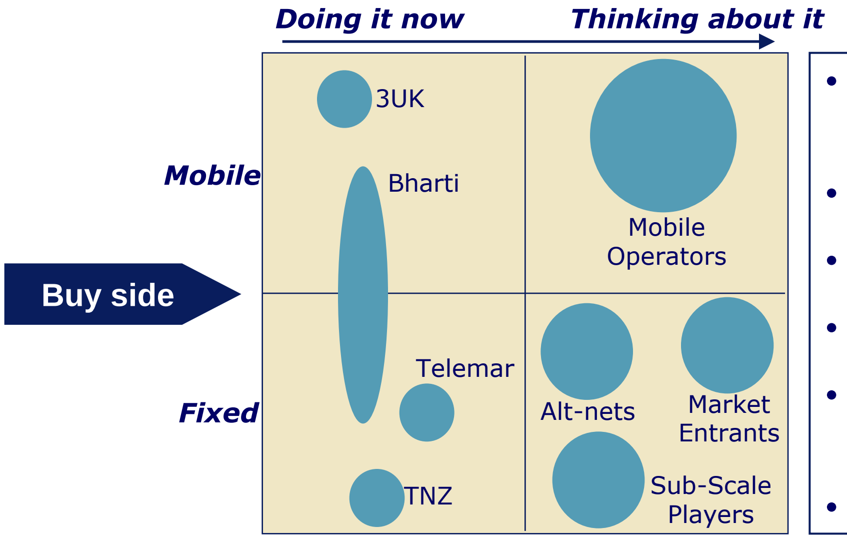
Each model requires very different core capabilities

Service Providers Face Tough Choices



For most, doing everything well is not an option

What's Happening Now?



- Many first generation deals executed in last 5 years
- Varied structure and scope
- Market now maturing
- Mobile operators leading the trend
- Alt-nets, new entrants and scale players evaluating their options
- Future deals likely to be sizable

"It's the first time that the operator and the strategic partners' objectives are completely aligned" Don Price, group Chief Technical Officer at Bharti Tele-Ventures

"This initiative will deliver cost efficiencies without sacrificing Hutchison's control and Intellectual Property" – Kevin Russell – CEO Hutchison Australia

Supply side

	Doing it now	***Building capability***
Mobile	Alcatel Lucent Ericcson Nokia Siemens	Fixed Telcos Private equity?
Fixed	Alcatel Lucent Ericcson Nokia Private equity	Fixed Telcos Other OEMs

- OEMs building capability and scale
- Commercial models maturing
- Others expected to become credible
- Investment community open to transactions, investing and supporting both supply and demand side

"Ericsson's Managed Services offering means that we can take responsibility for the entire network operations process, or an isolated part of it, on a continuous basis," Erik Oldmark, Ericsson VP, Strategy and Marketing

The network outsourcing market is fast maturing

Future Landscape

Proliferation

Customer Experience Provider

- Brand-led
- Differentiate through user experience
- Core capability is relationship management

Consolidation

Network Service Provider

Network Operator

Network Infrastructure Operator

Content Delivery / Enterprise Network

- Scale-led
- Differentiate through operating efficiency
- Core capability is asset management

A proliferation of brand-led retail businesses could be supported by a few scale-led infrastructure operators

The Opportunity's in the CAN

The access solution must be …

Which demands …

Simple	**Zero installation**
Reliable	**Appliance**
Desirable	**Brand / Ergonomics**

Consumers demand a Convenience Area Network©

The Bottom Line

- The size zero service provider will continue to evolve to serve retail markets
- If you can‘t be the biggest, be the leanest
- Owning and operating infrastructure may become the exception, rather than the rule
- For customer-led businesses, brand beats technology
- At the edge, think Fisher Price for grown ups

Deloitte.