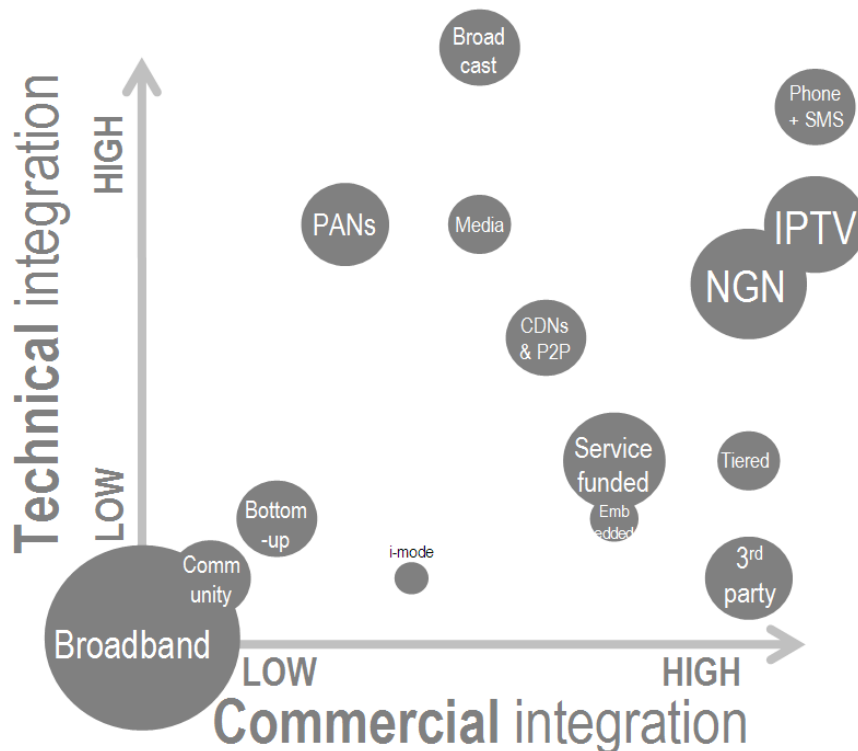


Telco 2.0™ Business Model Map Quick Reference



The original blog articles introducing the Business Model Map can be found at:

http://www.telco2.net/blog/2007/02/our_telco_20_world_map_introdu.html
http://www.telco2.net/blog/2007/03/the_telco_20_business_model_ma.html
http://www.telco2.net/blog/2007/03/the_telco_20_business_model_ma_1.html
http://www.telco2.net/blog/2007/03/the_telco_20_business_model_ma_2.html

In a nutshell:

- Network operators are delivery/distribution businesses: they deliver valuable bits from A to B. They perform other (valuable) activities as a result, too – but the bit freight is always the core.
- It's mostly the users and other business that make the bits valuable in the first place, not the telcos. This is unlikely to ever change.
- There are many ways of delivering those bits. For example, a video could be sent on a DVD, via IPTV, a peer-to-peer download, streamed from a content delivery cache, etc.
- The map documents these distribution channels for valuable bits. Which ones are you as a telco going to invest in?
- Each one is assessed on two criteria: does payment automatically flow between connectivity and the content/service ("commercial integration"), and is the delivery network hard-wired to that particular media delivery, or general purpose ("technical integration").
- By investing in richer wholesale models ("slice and dice" broadband) in the lower right quadrant of the diagram, the industry can solve many of its current pricing and capex problems.
- This quadrant is where we get the best of the "dumb pipe" model (i.e. services innovation) but with the value pricing everyone seeks, and without the evils of deep packet inspection.

We're undertaking a syndicated research programme this summer with a number of network operators and industry associations (including the BSG) to validate the model and quantify the opportunity. If you want to participate or learn more, contact STL's Chief Analyst, Martin Geddes, on +44 20 7870 8193 or email martin.geddes@stlpartners.com.

Diagram Label	Description	Notes/Examples
3rd Party	Any form of connectivity funded by third parties: ad-funded connectivity, government, employers	Your home office VPN traffic to work doesn't count against your usage cap; the delivery of ad-funded content isn't charged to the end user but rather to the advertiser; DSL is enabled for all phone lines, but the default non-subscriber service only allows surfing to government self-service sites and emergency service communications.
Bottom-up	Best-effort connectivity paid locally (Bottom-up)	FON, personal home Wi-Fi. As femtocells and other technologies mature, carriers will embrace hybrid models of network build-out.
Broadband	Stand-alone best-effort connectivity to entire Internet, paid to a retail ISP	Reach everyone, send as much data as you can, no promises made on delivery. Usually means Internet access, can also be other types of virtual WAN. "Broadband" here refers to the business model of Internet access, not the delivery technology itself (DSL, cable, etc.)
Broadcast	Vertically integrated broadcast service	Mobile TV (MediaFlo, DVBH), DAB, FM radio.
CDN & P2P	Static content cache systems	BitTorrent (telco cache), Akamai, Steam (game update service)
Community	User- or community-built free or public service connectivity, possibly accessible to non-owners	Muni nets, OPLANS, public safety networks, open Wi-Fi access points ("linksys", "NETGEAR", "Belkin54g" and "default" networks).
Embedded	Device-embedded connectivity, where the unit is active for a certain fixed period (or forever).	Sony Mylo, self-adjusting clocks using longwave radio signals. This is the reverse of the cellular model, where the hardware is subsidised by the service fee. In practise many of these devices will be part of bigger home or automotive services where the cost of billing isn't worth the hassle when the connectivity only forms a small part of the overall solution cost.
i-mode	Connectivity-funded service	ISP email that use connectivity charges to cross-subsidise services. This is a commercial dead-end but lives on another decade.
IPTV	Interactive content distribution systems	BT Vision, Verizon Fios TV service. Note we're using "IPTV" as a shorthand for the distribution and billing system for the content, <i>not</i> the complete end-user service (which includes other features such as content aggregation and recommendation, or programme guides).
Media	Physical media-based distribution	Netflix (DVDs). The growth in capacity of storage media greatly outstrips that of CPUs, batteries or dynamic memory. Within a decade, you'll be able to buy a music phone with every song every recorded. Soon after, every movie will be thrown in too. Today operators sell devices where the memory is empty. It's like Coke selling aluminium cans with a pack of sugar syrup and instructions to "just add water"
NGN	QoS and billing enhanced connectivity	BT 21CN. Focus of QoS is capacity reservation and division. Services need to negotiate sessions and circuits with the network. Media flows via gateways. No end-to-end IP.
PANs	Local unrouted wireless or contact-based connectivity; barcodes	Near-Field Communication, Bluetooth, Zigbee, Family Radio Service, QR barcodes, RFID. There's likely to be an explosion of value in this space, and operators are so attached to big centralised networks that they're likely to miss the boat. A whole new raft of players enter based on payments, games, next-gen walkie-talkies, presence sensing, and social media sharing.
Phone + SMS	Vertically integrated interactive services	Refers to the physical distribution system (e.g. SS7/TDM circuit networks, SMS radio channel), not the service (which can be delivered over IP)
Service-funded	Service-funded connectivity, where the service charges (flat-rate or metered) include all necessary connectivity	H3G's X-Series; Blackberry. No hidden postage or package charges, no bill shock, no metered usage anxiety.
Tiered	Tiered connectivity with different technical levels of priority but without traditional capacity reservation QoS	Paris Metro Pricing and other "less than best effort" schemes; congestion-based pricing schemes.