Two-sided Telecoms Business Models

Telco2.0™

"Is there $250bn in new 'Two-Sided' Business models?"

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Introduction to the Telco 2.0^{TM} Initiative – www.telco2.net

- The Telco 2.0^{TM} Initiative generates **new ideas for growth** for network operators and their partners facing new forms of competition. Our view is that…
  - Operators should focus on their **core competence** as 'distributors of valuable bits and bytes'.
  - They should fully utilise their **distinctive assets** (which today are under-exploited) to support both upstream customers and downstream end-users
- Operators should **not be dumb pipes**, wannabe media companies, or end-user service innovators.
- Rather, they should offer **'logistics services for data'** to help content owners, advertisers, e-tailers, brands, and software developers reach end users effectively.
- They add value to the **digital economy** by ensuring data is delivered to the right place, at the right time, in the right way, and enable different parties to **get paid** in appropriate ways.
- To do this they make use of **multiple delivery systems** (eg. internet, mobile, broadcast, network caching, physical media) some of which they own, some of which they don't.
- They operate a '**two-sided' business model**, getting paid by upstream partners *as well as* downstream end-users
- New analysis suggests they have the opportunity to generate over **$250bn per annum** in new revenue in 10 years time, in mature markets alone.
- This short document introduces the concept based on the results of **intensive new research**.

3 Core messages

1. Future Growth for Telcos: Reliant on New Business Model

2. The Two-Sided 'Platform Play' *Could* be Worth $250 bn+

3. Needs Collaborative Approach + Investment

Let's define core 'Telco'

Packaging — Systems Integrator

Products (partners')

Products (own) — Telco

Packets & Platters

Plumbing — Utility (pipes and cell towers)

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Today: a 'one-sided' business model

Suppliers =
Costs

Telco

End Users =
Revenue

Content, Apps, Devices

Network & Termination

Interconnect & Storage

$

Products (partners')

Products (own)

Packets & Platters

$

Consumers

SMEs

Enterprises

Multi-Nationals
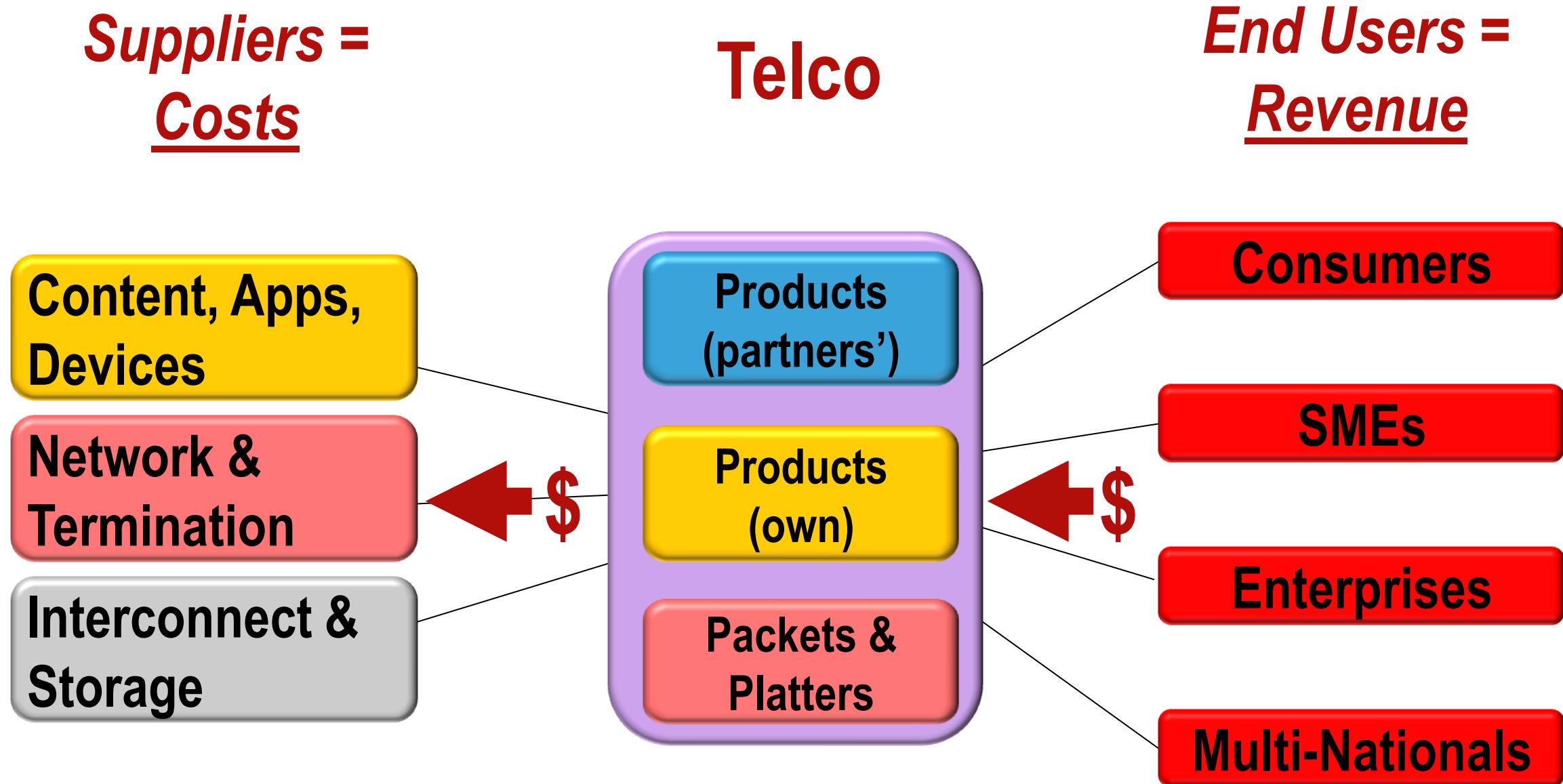
Is this model sustainable?

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Our Survey* said: Pressure on core Voice & Data Services

% of Total Mobile Voice Minutes, Europe
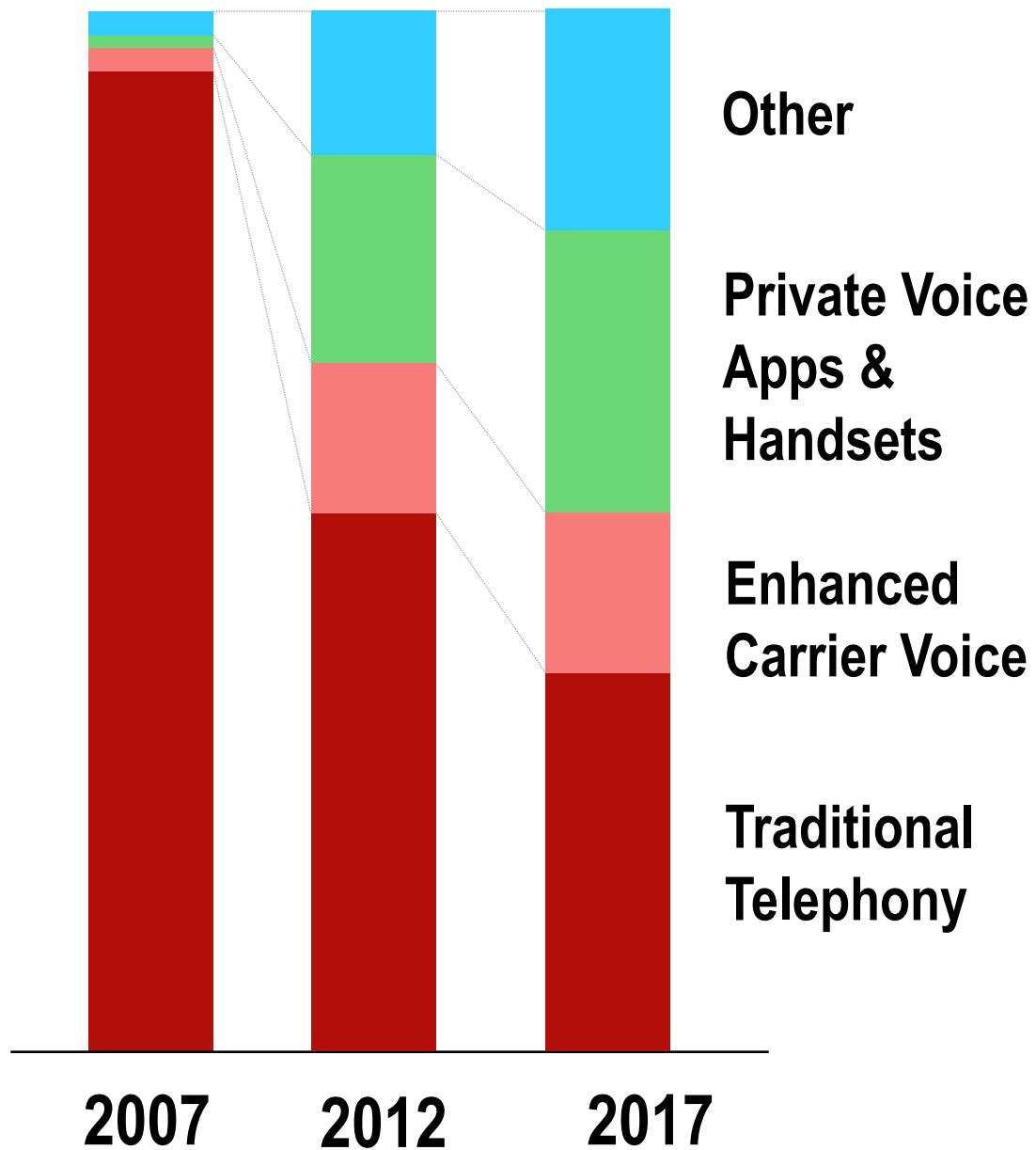
Broadband Data (fixed/mobile ISP product)
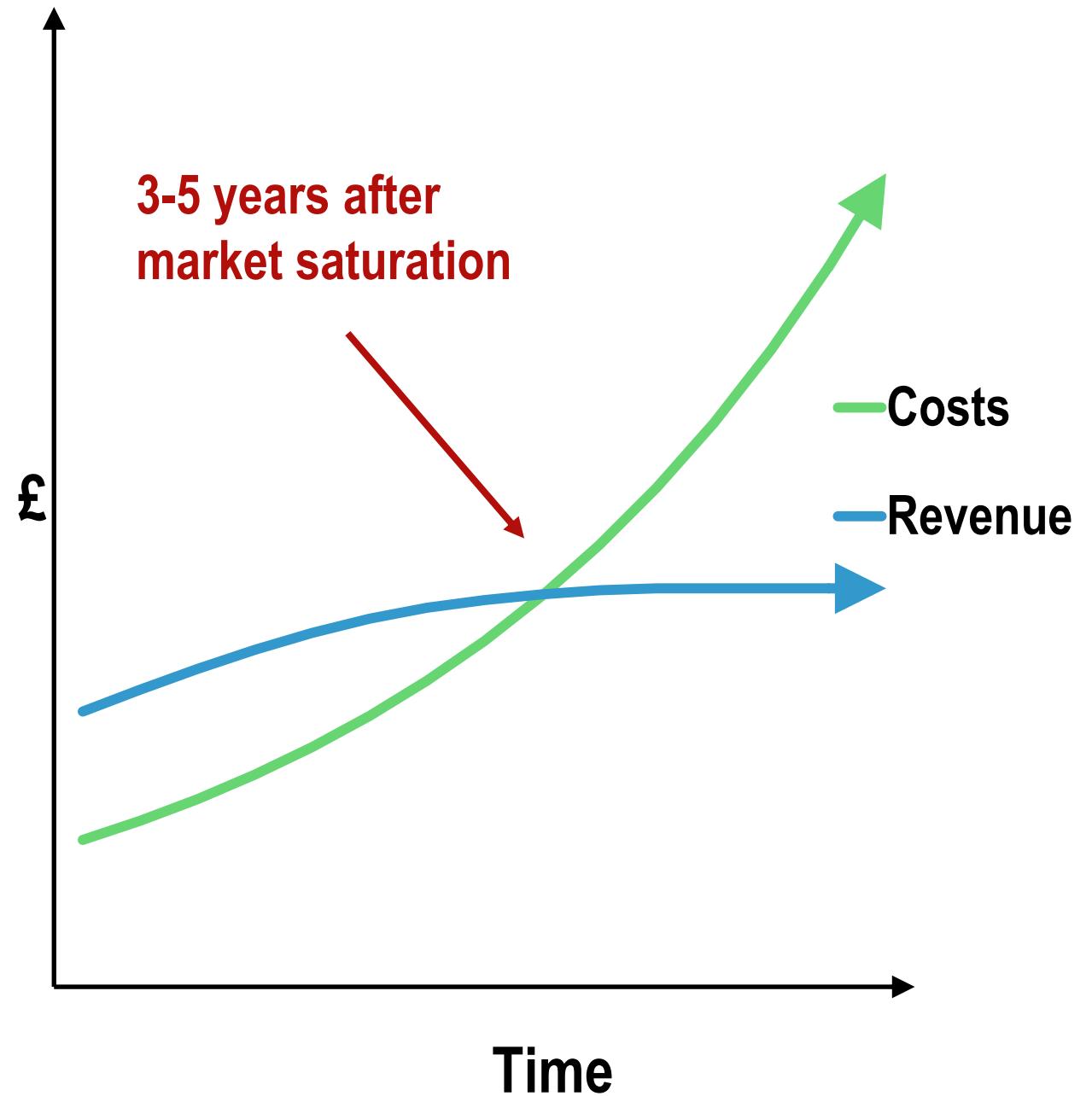
2007   2012   2017

Other

Private Voice Apps & Handsets

Enhanced Carrier Voice

Traditional Telephony

3-5 years after market saturation

£

Costs

Revenue

Time

* Telco 2.0 Business Model Survey, Sept 07. 800 Respondents. See: www.telco2.net/blog

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Our Survey said: Can we really be a media company?
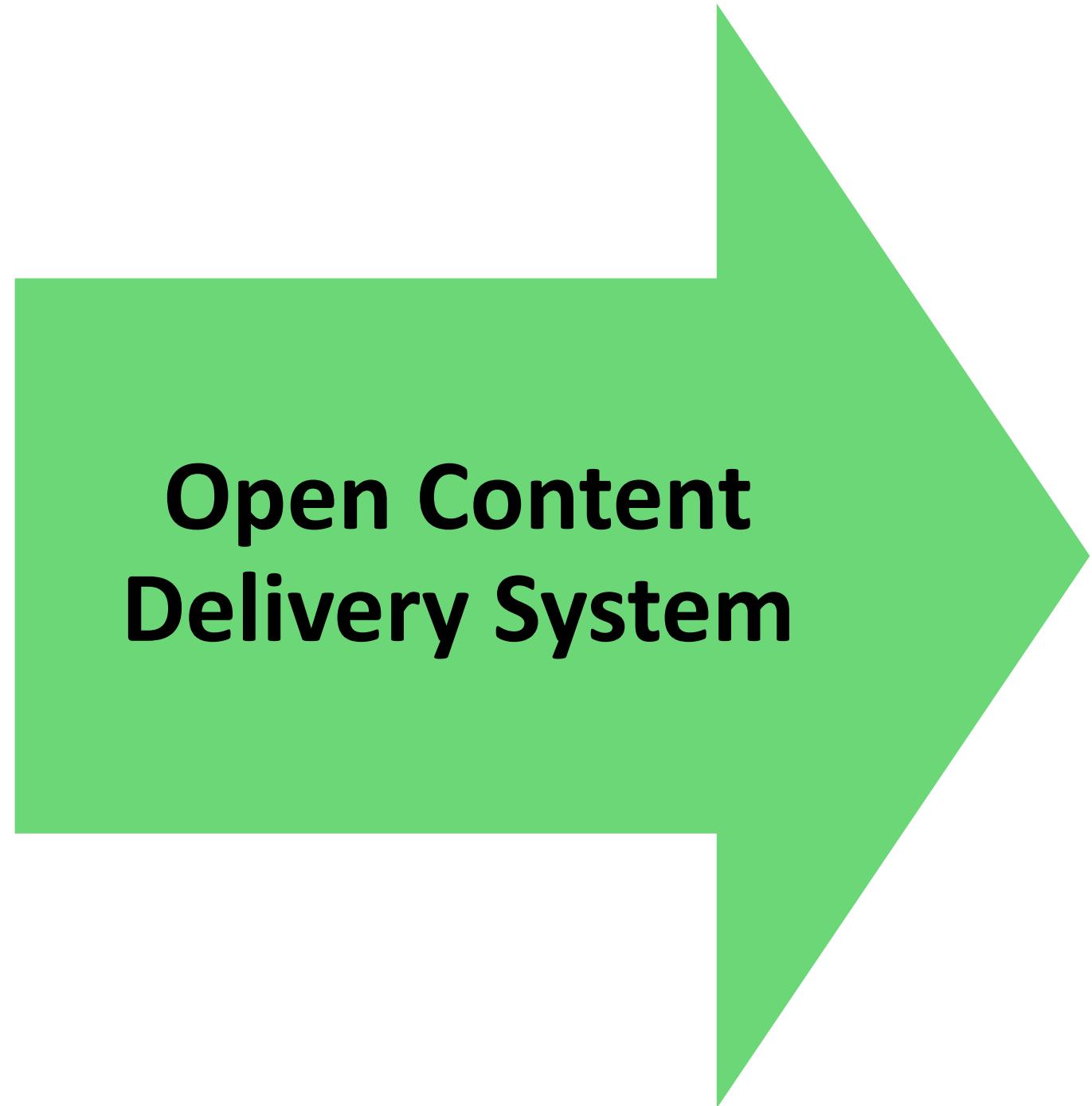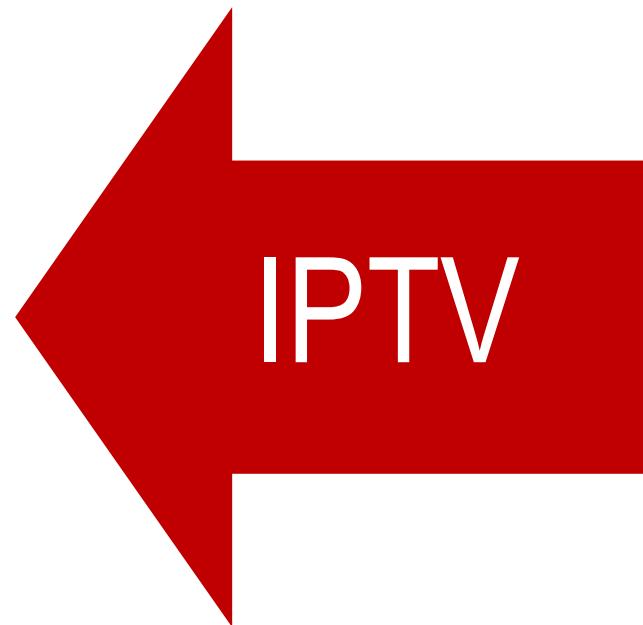
IPTV

Open Content Delivery System

Our Survey* said: New Business Models needed

20%

ISP

OK

25%

Triple or quad play

OK

55%

New business model

* Telco 2.0 Business Model Survey, Sept 07. 800 Respondents. See: www.telco2.net/blog

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Wouldn't it be nice if…
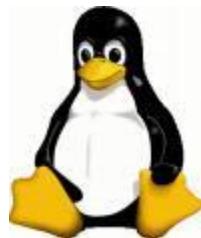
Upstream Players   **Telco**   **End-Users**


…telcos could reduce friction in the digital economy

Telcos: many valuable but latent assets (user data most important)

MY PERSONAL DATA

Core customer data
Name, Address, Gender, National ID, Profile & Preferences

MY RELATIONSHIPS

Knowledge of personal and business interactions
My bank, school, workplace, friends

GETTY IMAGES

MY DEVICES

User ID linked to physical device or token; configuration
SIM, USIM, SoftSIM, serial number, profile & settings

MY INTERACTIONS

Naming and tracking non-human resources
.mobi domains, web browsing history, QR codes read

MY IDENTIFIERS

Identity and persona creation for user
Number, address or ID provisioning; porting; avatars

MY CONTEXT

User real-time activity and environment
Location, Motion, Temperature, On/Off, Roaming, In-call

MY STUFF

Digital Lifestyle Aggregators & PIM
Pictures, Videos, Bookmarks, History, Files ; Calendar, Address Book, To Do, Notes

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Telcos: Opportunity to create a 2-sided platform-based business model

Customers: Revenue Side 2

Customers: Revenue Side 1

Developers

Retailers

Government

Brand Advertisers

Content Owners

Telco – Retail

$ ➡

B2B VAS

Telco Platform

Distribution

⬅ $

Millions of Customers

Thousands of Segments

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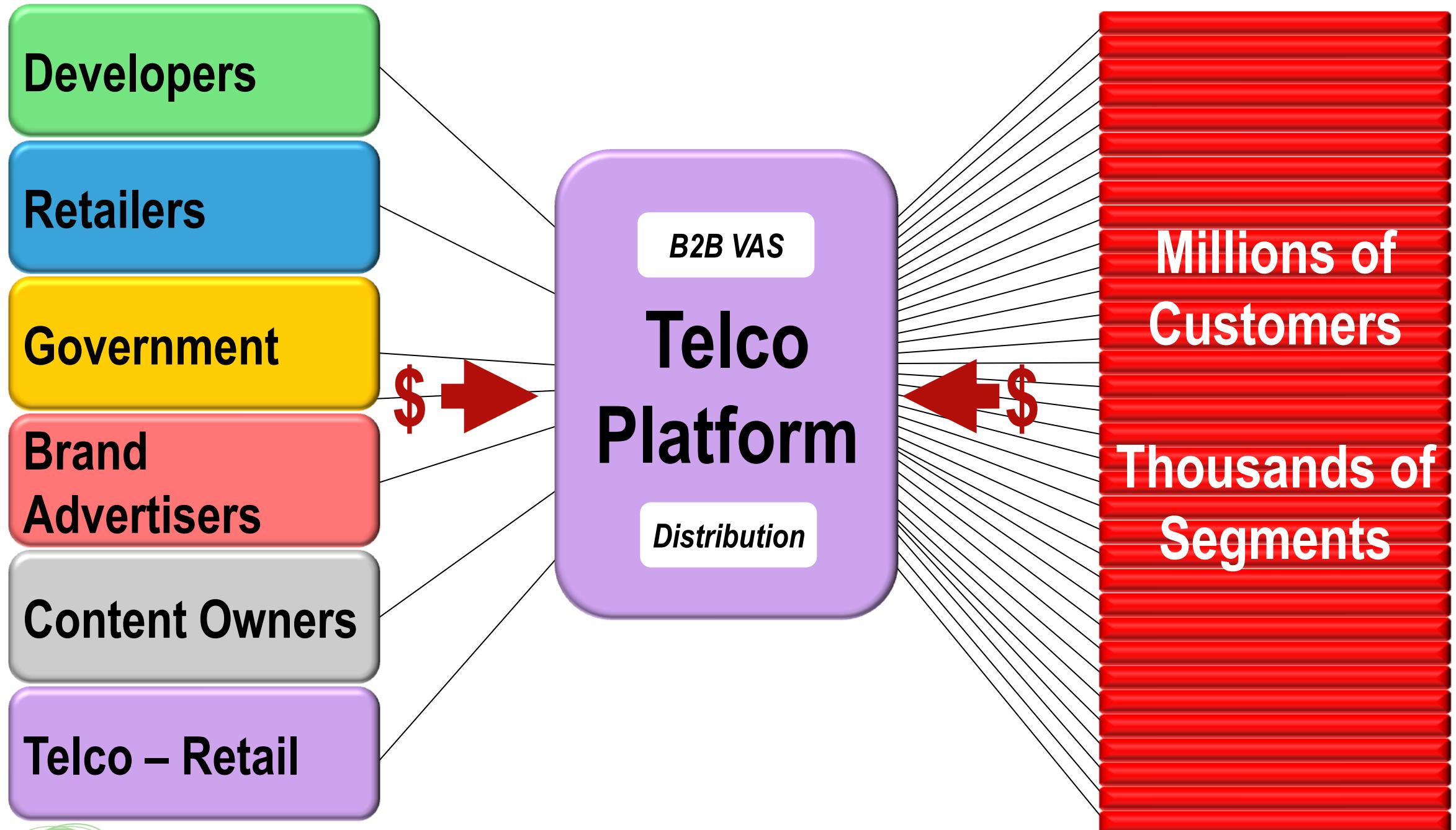
Richer wholesale aggregation will be a key enabler

Customers: Revenue Side 1

Customers: Revenue Side 2

- Developers
- Retailers
- Government
- Brand Advertisers
- Content Owners
- Telco – Retail

Channel Partners

Telco Platform

B2B VAS

Distribution

$

Millions of Customers

Thousands of Segments
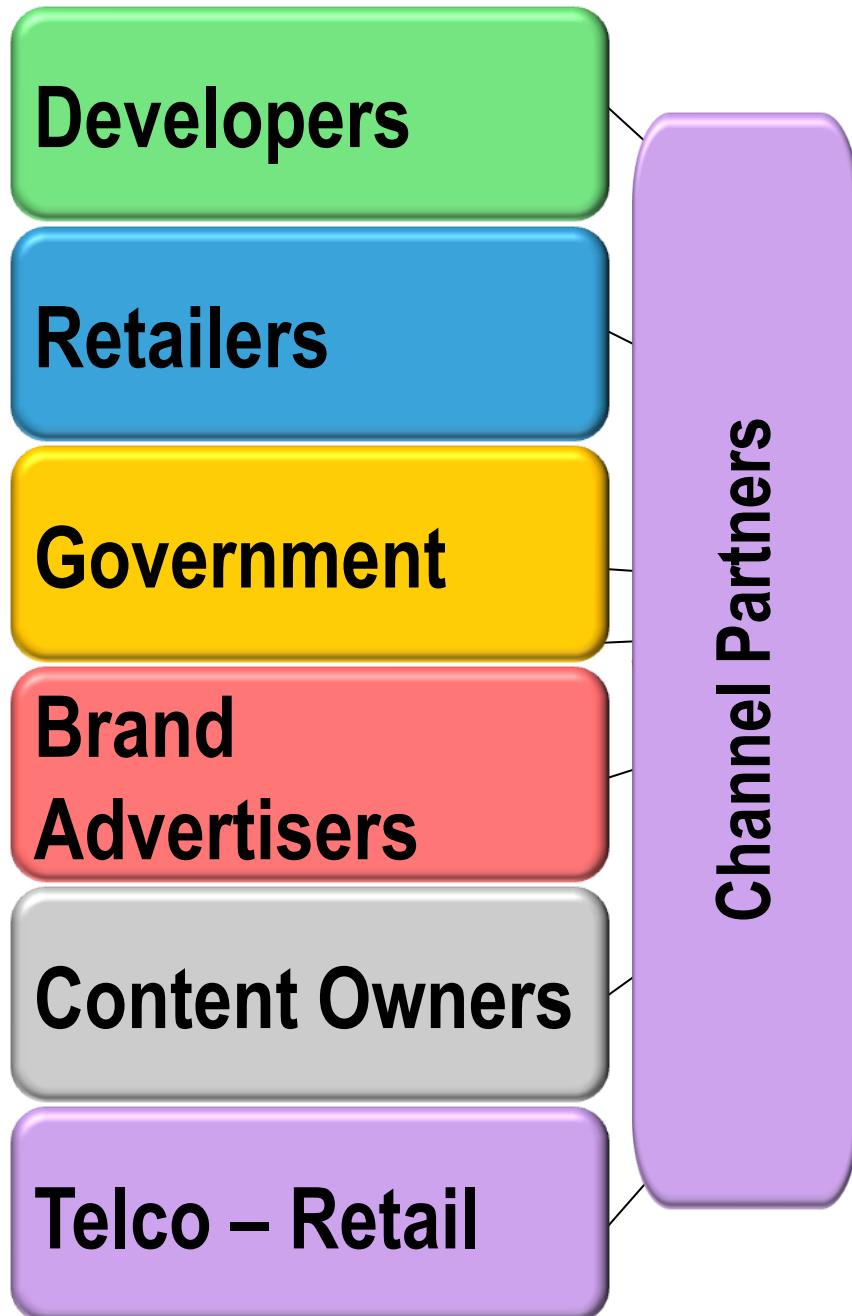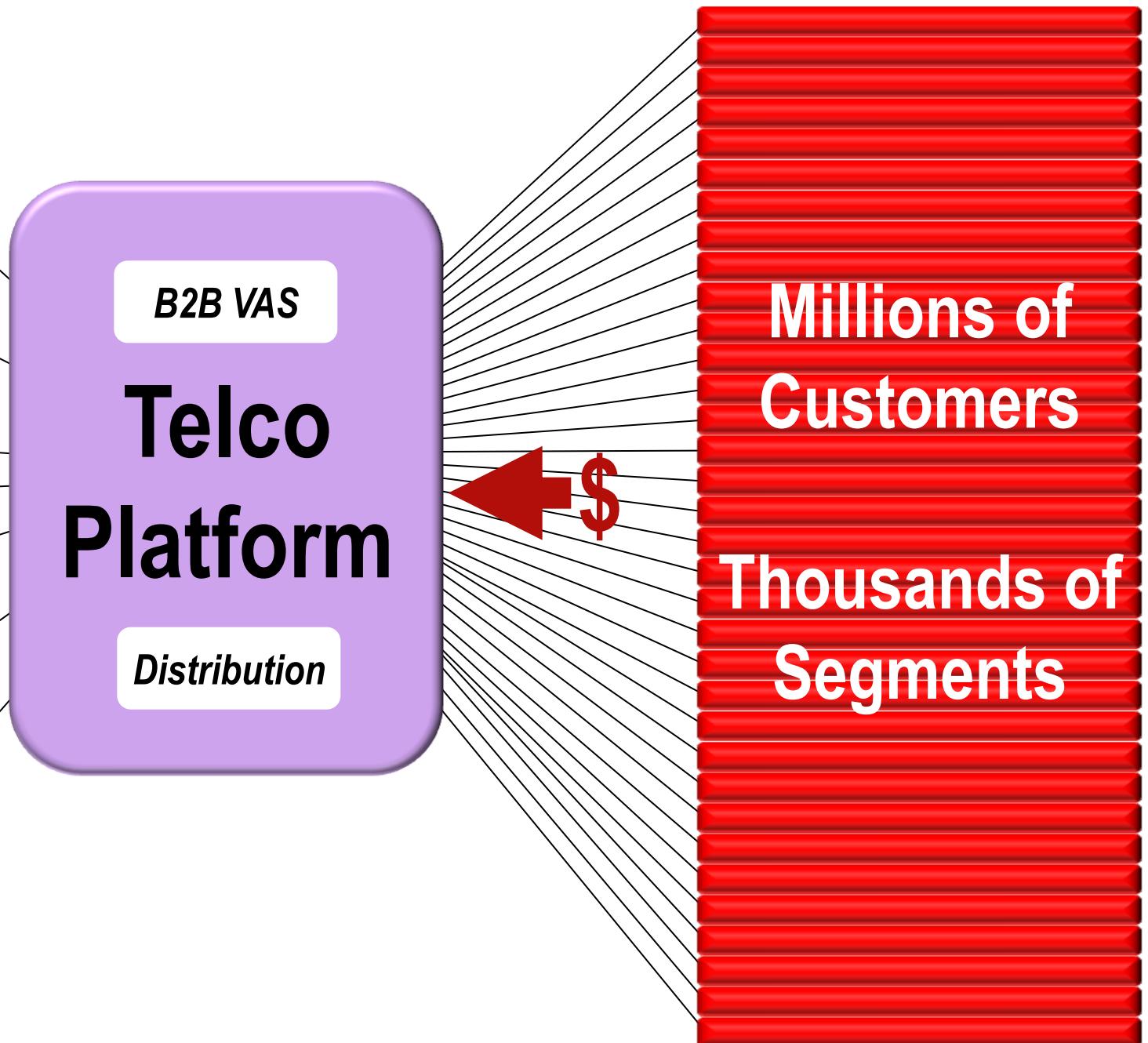
New Value Proposition: 'Logistics Services for Data'

1. Distribution (multi-modal)

Broadband…
+ Voice & Messaging
+ Broadcast
+ Content delivery networks
+ Edge caching

2. B2B Value Added Svcs

Advert Insertion…
+ Identity & Authentication
+ DRM
+ Payments
+ Content controls
+ Vertical solutions

… for data

Potential New Market* of $250bn +? (Mature Markets alone)

Fixed & Mobile Telco Revenues – W. Europe & US, 2017 ($ Billions)

Legend:
- VAS Platform
- Distribution Platform
- Telco Wholesale
- Telco Retail
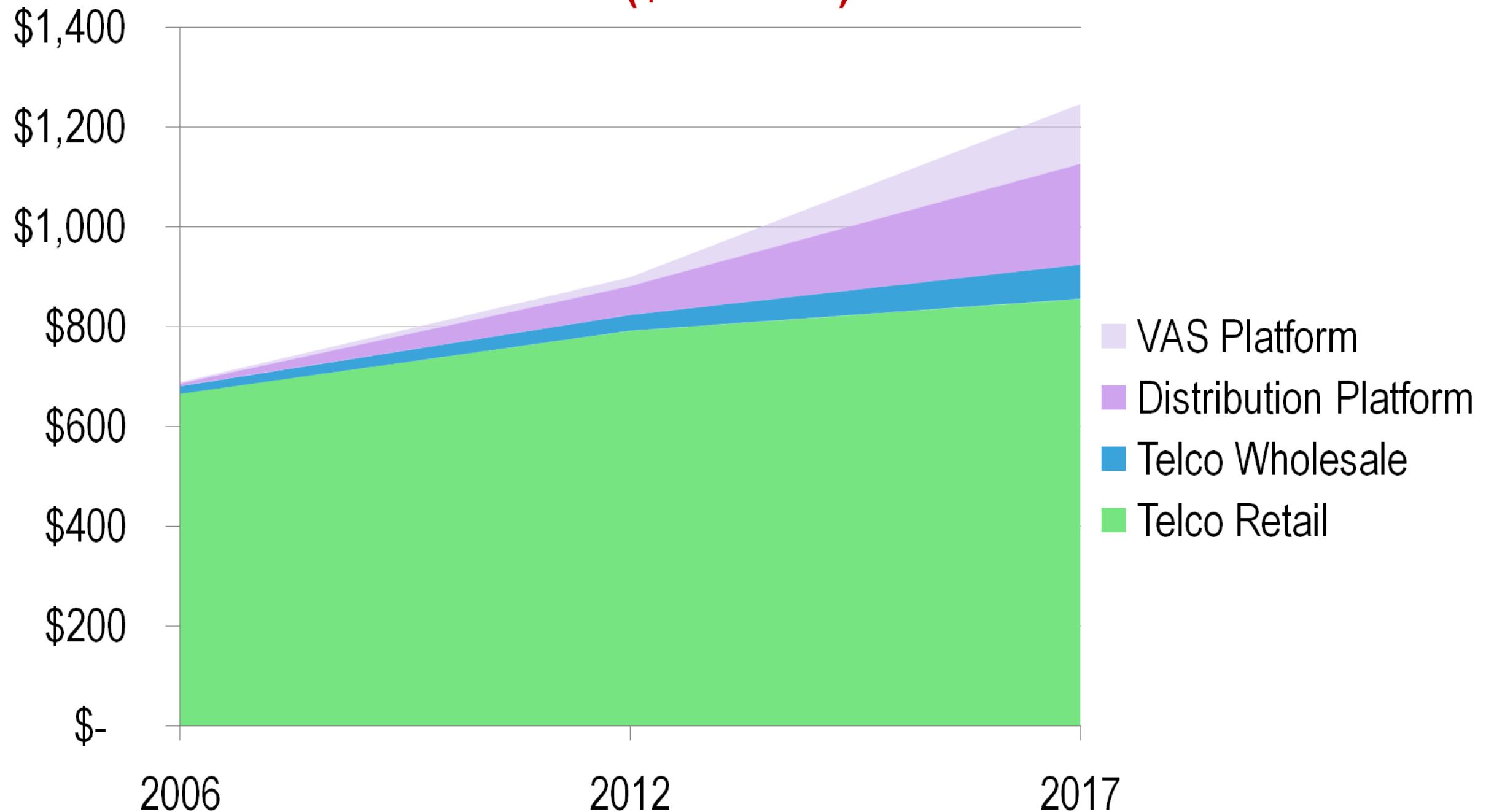
* Telco 2.0 Future Broadband Business Models Report, Jan 2008. See: www.telco2.net

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- 14 -

New Revenues (1): 'New' Wholesale and New Distribution Platform

Re-mix telco assets with apps, content, and devices to enable value-based pricing, increased usage and higher margins.

Voice

"Skype minutes" vs. "Ordinary minutes"

Video

Content delivery networks for 3rd parties

Data

"Postage and packing included!" – for data

New Revenues (2): New B2B VAS Platform

Upstream

Developers

Retailers

Government

Brand Advertisers

Content Owners

Telco – Retail

Telco Assets to support:

- Identifying Other Party
- Authorisation & Security
- Promoting Offer
- Conducting transaction
- Fulfilling Order
- Billing & Payment
- Service & Support

Downstream

Millions of Customers

Thousands of Segments

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New research and major event interrogate this $250bn+ opportunity

Telco Product

Telco Platform

Telco Pipe

New Research Reports
Insights for Growth

Voice & Messaging 2.0
Growing revenue in core products

The 'Two-Sided' Platform
Sizing the commercial opportunity

Telcos in Advertising
Effective strategies in media

New Broadband Business Models
Winning and losing strategies

Major Event
The new $250bn Opportunity

Telco2.0™
4th Executive Brainstorm

16-17 April
London

Research: www.telco2.net

Event: www.telco2.net/event/april2008

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More on this topic:

www.telco2.net/blog

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