Two-sided Telecoms Business Models

“Is there $250bn in new ‘Two-Sided’ Business models?”

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

• The Telco 2.0™ 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)

Packets & Platters

Plumbing

Telco

Utility (pipes and cell towers)
Today: a ‘one-sided’ business model

Suppliers = Costs

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

% of Total Mobile Voice Minutes, Europe

2007 2012 2017

- Traditional Telephony
- Enhanced Carrier Voice
- Private Voice Apps & Handsets
- Other

Broadband Data (fixed/mobile ISP product)

3-5 years after market saturation

Costs
Revenue

* Telco 2.0 Business Model Survey, Sept 07. 800 Respondents. See: www.telco2.net/blog
Our Survey said: Can we really be a media company?

* Telco 2.0 Business Model Survey, Sept 07. 800 Respondents. See: www.telco2.net/blog
Our Survey* said: New Business Models needed

- 20% ISP OK
- 25% Triple or quad play OK
- 55% New business model

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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

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

Customers: Revenue Side 2

Developers
Retailers
Government
Brand Advertisers
Content Owners
Telco – Retail

Telco Platform

$\rightarrow$ B2B VAS

Customers: Revenue Side 1

Millions of Customers
Thousands of Segments
Richer wholesale aggregation will be a key enabler

Customers: Revenue Side 1

Developers
Retailers
Government
Brand Advertisers
Content Owners
Telco – Retail

Channel Partners

Telco Platform

B2B VAS

Customers: Revenue Side 2

Millions of Customers
Thousands of Segments

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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)


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

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

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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