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Telcos Can Create Opportunities By Igniting the Big Four War

By Michael Crossey

Today, the Big Four giants of the Internet - Apple, Amazon, Google, and Facebook - seem to own the consumer segment of the digital economy. Moreover, a war has been brewing between these four players for some time now, which is seeing them increasingly collide in the markets for mobile devices, tablets, apps, content and social networking. If operators make the right moves, they can effectively become the arms dealer in the innovation war, leveraging their unique assets to allow the Big Four players to compete with each other over richer, more relevant services, improve customer choice and convenience and, perhaps most importantly, provide new low-friction ways to monetize their services.

The Big Four War

Each of the Big Four has its own unique weapons in its armory, and whilst they did not compete directly in the past, we are now seeing more and more examples of them making strategic moves into the others' space; Google with its Motorola acquisition and the launch of Google +, Amazon's Kindle Fire tablet, Facebook's developments in Media, Advertising and Communications, and Apple's Cloud Services and Social Networking features within iTunes. But as these four giants continue to increase their dominance of the technology industry, what does this mean for the network operators? Rebecca Pruhomme of Amdocs.

Operators are not direct contenders in this war, but they are in a unique position, not only providing the connectivity that allows the Big Four to deliver and monetize their digital services, but also being the custodian of a wealth of information about customers as well as having direct billing relationships with, collectively, close to 6 billion consumers globally. The Big Four will continue to generate huge amounts of

revenues from "over-the-top" (OTT) services, and no doubt they would like nothing more than for the operators to get out of the way and be relegated to the role of "dumb bit-pipe provider". To prevent this from happening, operators can leverage their capabilities in at least four key areas:

1. Context

One critical way to do this is through context. The Big Four want to monetize the massive amounts of data they have about customers, but in many cases they lack real-time context. Operators have that context and can export it via APIs on-demand.

Context brings real-time information to the mix, like location, presence, the type of device and connection a customer is using, whether they are roaming, details of their data plan, and whether they are moving or stationary. These details can contextualize offers and create the kind of intensely personalized, localized experiences and offers the Big Four wants to keep consumers bought-in to their services and to keep advertisers paying premiums for access to their audience.

2. Commerce

Another key piece of this equation is commerce: for revenue to be generated, sales must be closed and payments completed and secured. Operators have a history of facilitating trusted transactions, and have massively scalable billing and payments infrastructure to close the sales, payment, and collection loop for the Big Four.

In particular, Direct to Mobile billing is a growing trend for buying digital goods and services, whether online (desktop or mobile) or within a mobile application. Research has shown that, compared with traditional payment methods such as credit cards, offering the mobile bill as a payment instrument can result in significantly higher conversion rates (due to the low-friction, "one-click" experience that direct-to-mobile enables) as well as a much broader addressable market (as direct-to-mobile billing can address anyone with a mobile phone, whether post-paid or pre-paid).

Direct to mobile billing is particularly well suited to in-application payments, which is significant at a time when "freemium" is fast becoming the pre-eminent business model for mobile applications. Application providers are increasingly relying on post-download payments to make money – i.e, users upgrading from the free to the premium version, or making in-application purchases of virtual goods, new levels within games, and so on.

Therefore, there is a huge opportunity for operators to work with the Big Four in providing a direct-to-mobile payment service for a broad range of digital goods, whether these are provided directly by those organizations, or via their third-party developer and content partners. As well as the payment processing capability itself, operators can

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also provide authentication, authorization, consent management, spend controls and post-sales care, ensuring consumers are protected and brand integrity is maintained.

3. Premium Delivery

Another good example where operators can leverage their unique network assets is in the area of video services. Because they own the network and the customer billing relationship, operators have the opportunity to influence not only the quality of experience associated with video content, but how the delivery of the content is paid for, and by whom. This provides greater choice and flexibility across the entire value chain, from the consumer through to the content owner.

For example, a consumer may choose to pay a premium for high-definition streamed video to the content provider (i.e. one of the Big Four), who in turn shares a proportion of that premium with the operator in return for providing a higher quality of service. This process can happen on-the-fly using network APIs (as opposed to requiring manual pre-provisioning), with the revenue management and settlement processes also being automated.

4. Communications

Communications infrastructure is another area that operators can exploit with the Big Four, especially with the advent of the all-IP network, driven largely by LTE, and the rich multimedia communications capabilities that this brings. Although Over-the-Top communication services have grown rapidly over the past five years, operators still have the advantage of near-ubiquitous access, device/terminal-agnostic communications services, global interoperability and robust, reliable networks resulting from decades of investment and more than a century of expertize.

The Big Four can tap into the operator's networks in order to enrich their own services, and those of their developer partners, with rich communications capabilities. For example, operators could provide a set of Multimedia Call Control APIs that would allow Facebook or Google + users to set up instant audio or video chat sessions that work across any device on any network. This could also be extended towards B2C services, for example areas such as Customer Relationship Management.

Conclusion

It is inevitable that Amazon, Apple, Facebook and Google are going to dominate the technology landscape for the foreseeable future, and whilst this means that the Big Four will generate significant revenues from digital services delivered on top of the operators' networks, it does not mean that the operators will have lost relevance – provided that they re-evaluate their role and make the right investments, both in people and in platforms, that allow them to become the arms merchant in the tech war.

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Michael Crossey joined Aepona in June 2006 and is responsible for directing all of the company's marketing activities, including Corporate Marketing, Product Marketing, and Business Development. He has worked extensively with mobile operators, service providers and industry groups in the realization of new business models around Open Network APIs and Network as a Service, as well as with engaging with ISVs and app developers on the development of next-generation services that leverage mobile network and billing capabilities.

Michael has 23 years experience in the communications industry, having previously served as VP Marketing and Business Development with Transmode, a Swedish pioneer of Optical Networking technology, and as Director of Market Development with Nortel. He is a regular speaker at communications industry events and frequently contributes written articles for trade publications. He holds BEng and MSc degrees from Queen's University, Belfast.