Telcordia sees 'win-win' model in CSPs' personal relationship with end users

Mike Wojcik, President of Service Delivery Solutions Group, Telcordia

As President of Telcordia's Service Delivery Solutions group, Mike Wojcik works with rapidly growing communication service providers (CSPs) around the world looking to differentiate their business and increase their market share in highly competitive markets. Mike's discussion with them is about helping them scale real-time service delivery and charging solutions to support some of the largest networks in the world. Mike's experience is all about enabling interactive service differentiation that puts customers at the heart of the service. At Telcordia, Mike's service delivery team is now introducing Bandwidth Policy, Advertising, Mobile Marketing and Revenue Management systems that enable innovative business models to address the revenue challenge of Mobile Broadband.

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VanillaPlus: What is the regional mix for mobile broadband? Where will the bulk of the revenues come from, who will be the earlier adopters and why?

Mike Wojcik: The developed markets such as Western Europe, parts of the US, Asia and large cities around the world are reaching voice saturation, while developing markets in the rest of India, China and countries in Africa are still driven by subscriber voice growth.

The mobile broadband market is at the start of exponential growth, with the availability of low cost data plans, dongles, smartphones and low cost netbooks competing with wired broadband. These devices address the need for broadband anywhere, anytime and drive growth beyond 100% penetration in the mature markets.

Low cost handsets with smarter and larger displays that offer a platform for interactive services, new applications, music, video and lots more lifestyle and business services will then drive the market. Clearly, the growth of mobile broadband is dependent on the introduction of 3G licences, but growth is happening now and by 2011 mobile broadband connections will have overtaken fixed broadband on a global basis. CSPs must learn lessons from the fixed

broadband experience, where the over-the-top players dominated search, content, value-added services and subsequently captured the lion's share of value in the market.

Mobile broadband is different because it offers the potential for a 'win-win' business model if CSPs enter into a personal relationship with an end user, beyond just providing a network connection to build a real interactive experience. These dynamics present a tremendous challenge for CSPs, but there's also a phenomenal opportunity. By 2014, that figure will have rocketed to more than 2 billion users. In other words, a mobile broadband tsunami is coming!

Early adopters of 3G networks are already seeing capacity problems. How can this be addressed and what pitfalls might be avoided by new entrants?

Fixed broadband CSPs went for flat rate data plans with very large Gigabit limits or unlimited data plans that encouraged a small minority of users to consume vast amounts of data each month, to the detriment of the majority. Mobile broadband CSPs introduced plans with lower usage limits, but networks can still suffer from data peaks generated by video downloads and games. **Vodafone Spain** introduced premium

"A mobile broadband tsunami is coming!"

data charging as a trial in November 2009. By early 2010 there should be the first indication of the market impact.

CSPs can address these challenges by introducing real-time charging and bandwidth management systems that manage consumption in real time, inspect packets to understand traffic types, alert users when they reach their limit or use services not included in the plan, and make it easy for them to buy more from within the

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- Absolutely.

service they are using. No one likes surprise charges, so proactive campaigns and alerts will be welcomed by the user.

CSPs can also look at dynamic pricing, learning how to monetise networks when they are not loaded and spread capacity throughout the day. Just as with real-time charging, CSPs need solutions that can scale to face the data tsunami or run for cover with existing platforms. They also need great backhaul networks and investment in the OSS systems that will help them understand the capacity of the data network with inventory, help with rollout of more wireless networks and towers and finally adapt an advanced service management strategy.

The perception of the value of a service needs to be realigned, against a backdrop of internet surfing where services are nearly always free because they are advertising-supported. If consumers are willing to watch advertising then the cost of the underlying bandwidth can be supplemented with additional revenues and get customers to register for the entry level, advertising-supported service. The 'app store' model adopted by **Apple** and **Nokia**, among others, has proven that millions of customers are willing to pay for discrete services on top of their mobile data tariff.

CSPs looking to replicate this model need to understand that these players are operating on a global subscriber basis – targeting hundreds of millions of subscribers. CSPs with smaller customer bases will need group-wide strategies or industry-organised collaboration to achieve the critical mass to compete in these new markets and stay relevant in the new value chain. Organisations like the GSMA could play a role here to facilitate this collaboration.

How will this change the game for home broadband, and challenge CRM and billing systems?

The game is changed by mobile CSPs locking in potential fixed broadband customers; it's easier to buy into MiFi-like services because there are no credit checks or lengthy provisioning times compared to DSL. This will appeal to youth segments, students and mobile workers needing to stay connected. The driver for broadband will change from offering simple connectivity to supporting very high bandwidth services for interactive TV, video and over-the-top content partnerships.

Telcordia provides the real-time charging that ▶

enables new data tariffing models, accelerates the creation of ad-subsidised business models, and supports in-service special discounts and bandwidth upgrades. From here on in, all post-paid billing systems are legacy if they can't deliver charging in real-time. So, CSPs need to transform their billing systems for real-time charging to deliver live promotions to customers rather than presenting them on a paper bill at the end of a month, when their timeliness is lost. Also, mobile broadband demands the support of a single real-time charging platform, so that services can be developed once and then offered across the entire customer base.

The market can learn a lot from the rapid growth of new mobile CSPs in hyper-growth markets like India. Today, they are building large-scale mobile networks for voice, messaging and value-added services. **Telcordia** is helping several CSPs to grow and take market share with next generation charging and innovative service offers.

With mobile traffic volume growth far exceeding revenue growth, what steps should CSPs take to ensure their margins aren't eroded?

CSPs need to become more relevant in the value chain to end customers. CSPs really could be selling more than just network access and ringtones. Google disintermediated a lot of ISPs and got the real value out of the fixed broadband market, and mobile CSPs need to avoid a repeat of this by becoming a central part of their consumers' lifestyles. As CSPs grasp this principle, they need to think of themselves more as media companies and develop new advertising models to supplement service revenue.

It's understandable why consumers want ubiquitous mobile broadband, but is this a threat or opportunity for carriers?

It's mostly an opportunity, but it's a threat too; mobile broadband is not just a network play, it's about creating intimate customer relationships that offer an interactive world of services that are personalised to each individual.

These relationships are nurtured in real time by services that could include highly targeted advertising and discounted service offers that are carefully managed by the CSP to ensure they are relevant, unobtrusive and value-priced – and presented in a way that's easy to understand. Gone are the days of intermittent coverage, punitive overage charges and lower quality, walled-garden service offers.

The real threat to CSPs in this context is their ability to step into this new interactive world confidently and profitably. I believe there's a converged strategy that CSPs could employ that mitigates the risk of this bold new step, by joining forces or merging with fixed broadband players. As economies of scale go, it's probably the last great one available in the mobile marketplace, and delivers access to high speed backhaul networks.

Is this a new market opportunity for telecom wannabes?

Absolutely. There are no boundaries I can see when you apply mobile broadband connectivity to almost any vertical sector. You can have an alarm clock that reads you the morning's rail timetable before you set off to work, you can use MP3 players to provide special music services to children or check **Facebook** on your TV set. There's no reason why Google wouldn't launch a book reader similar to **Amazon**'s Kindle or why cars wouldn't give you a detailed visual traffic report from the road immediately ahead. As CSPs introduce number portability, the association of end user with the network changes because they could be on any network. CSPs are looking to adopt mobile identity strategies that can help them deliver the right message to the right network. As CSPs partner with the advertising industry and support mobile marketing campaigns these solutions will be required to ensure that mobile marketing messages are delivered to the correct customer.

Markets could grow to 500% mobile device penetration with several specialised lifestyle devices in the home of users or in businesses. But, to make this new interactive world possible, CSPs have to create a collaborative framework with key organisations in these other sectors so that there's a win/win situation. After all, Amazon wants to replace books and GM wants to sell cars, they don't want to have to build mobile broadband networks and deliver the services.

Mobile broadband will become a 'cash cow' for CSPs, driving new revenue and increased customer loyalty. But to secure a position in the value chain, CSPs need to adopt an Interactive Services Strategy that creates reasons for end users to interact daily with their service platforms and secure a share of spend on third party services on the network. That's where Telcordia fits in: we have the experience, technology and innovation that are vital for CSPs to take their next step confidently and profitably into a Mobile Broadband world.

"The value of this service to (mobile) consumers comes from watching live games, exclusively through MTN."

CSP: Communication Service Provider