

Arab Carriers: Survival Through Innovation

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Trivia

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Snapshot!

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Triple Screens... Mobile Apps...

Network	<ul style="list-style-type: none">• Commodity• Infra sharing• Outsourcing of operations
Devices	<ul style="list-style-type: none">• Hardware becoming a commodity• OS is free (Android, Symbian) or proprietary (iPhone OS, RIM)• Next battleground for OS and chips: netbooks and other MID.
Applications	<ul style="list-style-type: none">• Differentiation in App & Services• Apps delivered OTT via App Stores; The App Store is the killer app• Includes games, entertainment, music, social networking, even voice

Revolution in the Making

Google and Apple have revolutionized their core industries.
They are now revolutionizing the mobile internet



- Revolutionized the Web with Google Search
- Revolutionized free e-mail with Gmail
- Next: telephones with Google Voice?
- Next: Mobile OS with Android?



- Revolutionized the music industry with iTunes/iPod
- Revolutionized the cellphone industry with the iPhone
- Revolutionized the mobile app industry with the App Store
- Next: games?

Startling OTT Stats

Revolutionizing the mobile internet has significantly increased its popularity and its global reach

- **>5M** Apps downloaded on average from Apple's **App Store** per day
- **>1M** **iPhone Skype** downloads in its first 2 days
- **20%** Improved ARPU for **Skype** phone users at UK carrier, 3
- **60%** Higher ARPU and lower churn rates for **iPhone** users at at&t
- **35K** Apps available for downloads on Apple's **App Store**
- **50x** The data used by T-Mobile **Android** powered G1 subs compared to average
- **50M** **OVI** Store reach at launch
- **30M** Active users accessing **Facebook** through mobile
- **42M** Viewers to online video site **Hulu** in the US
- **>1M** Subscriptions to Google's new mobile friend finder **Latitude** in its first week
- **2%** Percentage of **iPhone** users who have not downloaded Apps
- **\$25B** Revenue from mobile Apps by 2014 fuelled by proliferation of **App Stores**
- **30%** Mobile **voice** traffic will be carried through third-party mobile portals by 2019

Leveraging this Revolution

This revolution has driven tremendous growth in mobile advertising and payments

Advertising

- **Android:**
Mobile ad requests from devices on Android have increased by an average of 47% month-over-month since the launch of Android Market
- **Apple's iPhone:**
Ad requests increased an average of 88% per month in the first five months following the July 2008 roll out of the App Store
- **Mobile Ad:**
Mobile ad will fund many of the apps by 2012, e.g., over 50% of games

Payment

- **Mobile Banking:**
Jump from 0.4M mobile banking users in 2007 to 3.1M in 2008
All banks want in
- **Nokia:**
Invested (about \$70M) in mobile payment specialist Obopay
- **Mastercard:**
Developed MoneySend, a P2P payment linking a mobile phone number to a prepaid Mastercard



Peter Ayliffe, Visa CEO

"Mobile is the most important innovation in payments"

Fueling the Mobile Internet

Recent studies predict significant growth in mobile internet

- Mobile internet market will be worth \$137 billion in 2014
- Users of mobile services are projected to grow from 181 M in 2008 to over 2 B by 2014
- Number of users accessing mobile broadband through laptops will grow to 258 M in 2014
- Mobile handset internet users will grow to almost 1.8 B by 2014

OVUM

- Mobile apps revenue growth fuelled by a raft of smartphones and store launches
- Majority of all app related revenues to come from apps delivered via app stores by 2011

Juniper Research

- Mobile data revenues will grow to \$347B by 2013
- Data will represent 33.7% of ARPU compared to 19.2%

Informa

Content Moving Online

Content Owners like Disney and Sony are following their consumers' needs by moving some of their content online



- Disney Co is developing an Internet subscription service
- Disney invested in Hulu joining NBC Universal and News Corp



- Sony Corp is posting films and TV shows onto YouTube
- Disney too has a partnership with YouTube

"We're spending too much time trying to figure out what model is going to work, when it's clear that we just need to be better at following consumers... If we don't, we're going to lose the revenue like the music industry and Napster, or like newspapers trying to catch up online"

Jason Forbes, group SVP of strategy, new products & marketing at Time Warner Cable Media Sales



"Media consumption online is growing and will continue to grow... It is really important for us to establish ourselves there"

Robert A. Iger, Disney CEO



Vendor Case Study



Nokia plans to reposition itself from being a device maker to a services and solutions provider

*“Nokia is fundamentally changing its business model to **transform both the company and the industry**. While we continue to compete with the traditional mobile device manufacturers, we also are dealing with new competitors entering the market from the PC [Apple] and internet industries [Google].”*

*“A device alone is not enough anymore... The 'wow' comes from the **combination of the device with services**”*

Olli-Pekka Kallasvuo, Chief Executive Officer

“Services, such as maps and music downloads, will dictate how consumers select their mobile phones, and hardware will adapt to meet this trend”

“Hardware will be designed around software.”

“Content, in the end, is the only thing that matters.”

Tero Ojanperä, EVP of Services

Telco Survival: Threat

The mobile internet's growth could cause a threat to the mobile carriers by rendering them a commodity

- Fixed broadband is already a platform from which OTT providers target end users directly with multimedia and voice services
- OTT providers are about to render the mobile service a commodity too
- Before the App Store, apps developers had to deal with carriers to reach the end-users. Now mobile carriers aren't even necessary, apart from the access
- The vendors' App stores are restricted to their own OS and/or devices, thus helping them monopolize and monetize the OTT content at the expense of the telcos

Telco Survival: Opportunity


Instead, carriers can *innovate* and evolve their platform to develop the mobile internet and build an *open ecosystem*

- Carriers need to *innovate* and allow third-party developers to build services on top of their platforms, i.e., open the network and build the ecosystem
- Carriers need to form partnerships with other carriers, and third party collaborators such as device vendors and apps developers, in an environment that breeds *open* collaboration
- The carrier platform should help innovators create new VAS faster and with less expense
- Carrier can be at center of *innovation*

Transformation



One network operator has opened up its platform in an unprecedented manner and kick started the cloud computing revolution

- (11)  AWS offers companies an infrastructure web services platform in the cloud.
- Amazon makes more money from third-party sellers than it does from selling direct
- Amazon's developer community is half million strong
- Telecom carriers too can open their platform to third party users
- AT&T trying to follow suit with cloud storage product
- Other than bandwidth, carriers offer billing and customer info (devices, location, etc.)

Telco Case Study



Vodafone plans to offer its own app store to compete with OTT Orange and O2 run their own app stores already

- Developers would create apps once to reach millions *on any device using any platform*. Customers would pay for apps using VF's *billing* system
- Established Joint *Innovation* Lab (JIL) with VzW, China Mobile, and Softbank to set up a unified platform for developers to create mobile widgets reaching 1B subs
- Will provide partners and developers access to *location awareness* in an effort to nurture new services and applications
- Will offer the new services on a revenue-sharing basis with developers and content partners.

*“We were a bit naive thinking everything could be done in-house... Only way to create a fertile environment for **innovation** is to have **open** platforms and leverage them... We want to be the guys who make it possible for developers to work with everyone [tech firms, handset makers, operators, etc]”*

Vittorio Colao, Vodafone CEO



Telco Case Study



SK telecom is developing its own “open market” app store

- Acquired large shares in companies leading the development of content in China
- Mobile financial services JV with Citibank: Mobile Money Ventures
- “Open market” app store will bring together the software, electronics and mobile industries
- App store will be accessible both from personal computers and mobile devices

China Mobile will launch its 'Mobile Market' store by the end of 2009

*“The door on China Mobile's mobile internet is **open** [to all comers]... We will set up our own shop. We welcome all content providers to sell their software applications and games and songs and any other product in **our** application shop”*

Wang Jianzhou, CEO China Mobile



Telco Case Study



Android based G1 customers are using data services in record volumes

- 80% of G1 customers browse the Web on daily basis and download applications at least once per week from Android Market
- The majority of G1 owners use Facebook and YouTube at least once per week and half of G1 customers access Wi-Fi on a daily basis
- T-Mobile rolled out Google Search by voice, Google Latitude and support for priced applications on Android Market
- G1 customers have each downloaded > 40 applications from Android Market

Innovation: BW / BCG Survey

Innovators have been the catalyst of this revolution. Indeed, 5 of the top 10 global innovators are those behind the mobile internet revolution

Innovator	App Store	OS	Device
(1) 	App Store 	iPhone OS	iPhone 3G
(2) 	Android Market		
(4) 	Windows Marketplace		
(8) 	App World	RIM OS	
(9) 			Nxx/Exx/etc

(25) Vodafone is the only carrier to figure among the list of top innovators

Innovation in the Arab World

Arab countries recognize the importance of innovation in the high-tech industry but their actions have so far not followed thru their statements

- Gulf countries have announced substantial funds dedicated to innovation in the high tech industry
- But these remain announcements. They lack detail, focus, and most importantly, a vision. Worse, some are withdrawn...
- Arabs preferred route has been minority investments in foreign firms
- Arabs have also invited and welcomed foreign firms to set up branches in local high tech parks for trading... not for R&D
- If not accompanied by the creation of a local ecosystem to create the next home grown and locally owned start-up, these investments would not achieve their full potential

One country cuts above the rest in the Middle East with over 100 VC funds and 4,000 hi-tech firms...

Innovation in the Arab World

The Arab world has an opportunity to work on a sustainable plan for innovation by leveraging its strength and creating a lasting ecosystem

- Yet the Arab World has several ingredients needed for the creation of a hi tech industry: world class universities, a pool of graduates, a diaspora of renowned scientists (the human capital), availability of funds, etc.
- What is missing is an infrastructure and ecosystem to foster innovation, invention; and domestic retention / employment of local talent pools
- Until this is done, the young graduates plus established scientists will continue to emigrate to countries that provide them the opportunity to fulfill their aspirations and training

Now is the time to work on a plan for innovation in a sustainable manner that is domestically owned and benefits the local Arab economies

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THANK YOU!

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