Over the Top (OTT) - Opportunity, Threat or Something Else?

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Innovation and Disruption

Figure 1: Disruptive innovation can hurt if you are not the one doing the disruption. (Source: Gartner.com)
Disruption and Scale
Telecom industry dynamics

**Telecom companies**

- **Wireline**
  - Fixed voice
  - Fixed broadband
  - IPTV
  - Business Solutions

- **Wireless**
  - Mobile voice & text
  - Mobile data

**Customers**

- Residential customers
- Businesses
- Other carriers (Wholesale)

**Competitors**

- Cable companies
- Over-the-top companies such as Skype, Netflix

Source: Market Realist

Pacific Telecommunications Council
Full Service Telcos

Revenue Drivers

• Voice

• SMS -messaging

• Data (Broadband)

• Mobility

• Enterprise
Substitution

Telex
Fax
Voice
Video
Data

Mobility
OTT Definition

• Over-the-Top Application (OTT)
• Definition - What does Over-the-Top Application (OTT) mean?
• An over-the-top (OTT) application is any app or service that provides a product over the Internet and bypasses traditional distribution. Services that come over the top are most typically related to media and communication and are generally, if not always, lower in cost than the traditional method of delivery.

• Internet Based Service Providers (IBSP)
Multi-faceted OTT Competition
Threats? Revenue Loss 2012-2017

$461 Billion USD
Ovum research 2016

1997 Netscape
2007 iPhone
Global Telecom Revenue

Global telecommunications services market value from 2012 to 2019, by region (in billion euros)

Source: IDATE DigiWorld © Statista 2018

Additional Information: Worldwide; IDATE DigiWorld; 2011 to 2015
7.68 BILLION PEOPLE

* World Population Clock
Ubiquity

History of the phone

The number of mobile subscriptions will soon overtake the world’s population.

2002
Mobile subscriptions surpass fixed line users

1978
First commercial cellular mobile services established.

1961
85 years later, fixed-line subscriptions reach 100 million.

1876
Alexander Graham Bell holds the first two-way telephone conversation.

Global Population  Fixed-Line Subscriptions  Mobile Subscriptions

62%
2019: This Is What Happens In An Internet Minute

- Google: 3.8 Million Search Queries
- Facebook: 1 Million Logging In
- YouTube: 4.5 Million Videos Viewed
- Instagram: 347,222 Scrolling Instagram
- Netflix: 694,444 Hours Watched
- $996,956 Spent Online
- Snapchat: 2.1 Million Snaps Created
- Giphy: 41.6 Million Messages Sent
- 180 Smart Speakers Shipped
- Amazon Echo: 41 Music Streaming Subscriptions
- Twitch: 1 Million Views
- 1 Million Emails Sent
- 87,500 People Tweeting
- 1.4 Million Swipes
- 188 Million Gifs Served

Created By: @LoriLewis @OfficiallyChadd
Communications Intensity
OTT Scale Facts

**SKYPE**
- 300 Million Users
- 3 Billion Minutes per day
- W Video 2 Trillion minutes per day

**FACEBOOK MESSENGER**
- 2 Billion Users
- 8 Billion Video Views per day
- 12 Billion Messages per day
- 300 Million Photos uploaded per day

**WHATS APP**
- 1.5 Billion Users
- 60 Billion messages per day

**WECHAT**
- 883 Million Users
- 38 Billion messages per day
Time spent on major digital activities like video, audio, social media and gaming will continue to increase.


- **VIDEO**: CAGR 4.2%
  - 2011: 4h 56m
  - 2012: 5h 13m
  - 2013: 5h 23m
  - 2014: 5h 35m
  - 2015E: 5h 54m
  - 2016E: 6h 8m
  - 2017E: 6h 21m

- **AUDIO**: CAGR 4.9%
  - 2011: 3h 12m
  - 2012: 3h 21m
  - 2013: 3h 31m
  - 2014: 3h 39m
  - 2015E: 3h 52m
  - 2016E: 4h 3m
  - 2017E: 4h 15m

- **SOCIAL MEDIA**: CAGR 17.8%
  - 2011: 1h 24m
  - 2012: 1h 42m
  - 2013: 2h
  - 2014: 2h 18m
  - 2015E: 2h 42m
  - 2016E: 3h 12m
  - 2017E: 3h 42m

- **GAMING**: CAGR 11.9%
  - 2011: 44m
  - 2012: 48m
  - 2013: 54m
  - 2014: 1h 1m
  - 2015E: 1h 8m
  - 2016E: 1h 17m
  - 2017E: 1h 26m

**Sources:** Edison, We Are Social, eMarketer, Nielsen, Deloitte, SNL Kagan, Sandvine, Ipsos, comScore, Global Web Index, Pew Research Center, Flurry Insights, Informate, NetMarketShare, Statcounter, Activate analysis. Time spent may be double counted (e.g. YouTube for both video and audio).
What’s the right OTT Strategy?
Keys for OTT Disruption

Fixed Line

- Quality of Service
- Deep Fiber Expansion
- Broadening Broadband
- Responsiveness/Agility
- M&A Opportunities

Full Service

- Quality of Service
- Deep Fiber Network Expansion
- Broadening Broadband
- Responsiveness/Agility
- OTT/Cloud Development
- Mobility and Fixed Device Integration 4.5 - 5G
Keys to working with OTT Disruption

Internet Service Provider

• Strengthen Service Bundles
• Create Product Development Opportunities
• Manage Customer Experience
• OTT Partnerships

Cable TV

• Quality of Service
• Develop Accessible Content
• Broadband Increases
• Mobility Partnership
• M&A Opportunities
Keys to working with OTT Disruption

Mobility

- Network Expansion
- Customer Experience
- Content Delivery
- AR/VR
- IoT/5G Push

MVNO

- Brand Differentiation
- Superior Offer Mgmt.
- Agile Product Set
- Cloud
- Customer Security
- Mobile Money
Keys to Dealing with Disruption OTT

- Disruption - expect it, embrace it.
- Substitution - get ahead and develop it.
- Agility - speed and the readiness to act.
- Responsiveness - don’t wait could be to your peril.
- Product Trials - not traditional routes, failure?
- Service - exceptional and responsive, customer driven.
- Retention - costs 10 times as much to get them back.
1997: Don't trust anyone on the internet, don't get in strangers cars.

2017: use the internet to get into a strangers car
Thank you.

Questions
Your Move!
Ubiquity & Scale
Telecom operator scenarios for 2025

From dumb pipe to smart platforms?

**Commoditisation** -2%
- Internet players gain a foothold in distribution with a smart cloud/dumb device model
- Telcos sell them wholesale connectivity

**Digital mall** +5%
- Operators distribute vertical services (video, music, finance, health, energy, security, education, transportation...)
- They rely on their enhanced connectivity offers

**Connectivity+** +2%
- Operators invest in quality networks
- They succeed in offering enhanced connectivity services to both end users and content providers/application developers

Source: DATE

Average annual growth rate for telecom services worldwide 2014-2025 under each scenario
Global Growth Picture ITU

Global ICT developments, 2001-2017*

- Mobile-cellular telephone subscriptions
- Individuals using the Internet
- Fixed-telephone subscriptions
- Active mobile-broadband subscriptions
- Fixed-broadband subscriptions

Note: * Estimate
Source: ITU World Telecommunication/ICT Indicators database
RCS is growing! How does it compare?

<table>
<thead>
<tr>
<th>Messaging Apps by Monthly Active Users (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMS</td>
</tr>
<tr>
<td>Whatsapp</td>
</tr>
<tr>
<td>Facebook Messenger</td>
</tr>
<tr>
<td>QQ Mobile</td>
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<tr>
<td>WeChat</td>
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<tr>
<td>Skype</td>
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<tr>
<td>SnapChat</td>
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<td>BlackBerry Messenger</td>
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<tr>
<td>Telegram</td>
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<tr>
<td>KakaoTalk</td>
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</tbody>
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SMS remains the world’s largest platform with 3.5bn MAU.

As an SMS upgrade, RCS has this potential for growth.
Figure 1: WhatsApp vs SMS

42 Billion
Number of WhatsApp messages sent per day in 2016

16.4 Billion
Number of P2P SMS sent per day in 2016

18.8%
Decline in dollar value of MNO P2P revenues between 2013 and 2015

Source: Juniper Research