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

PTC'20

VISION 2020 AND BEYOND

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Innovation and Disruption

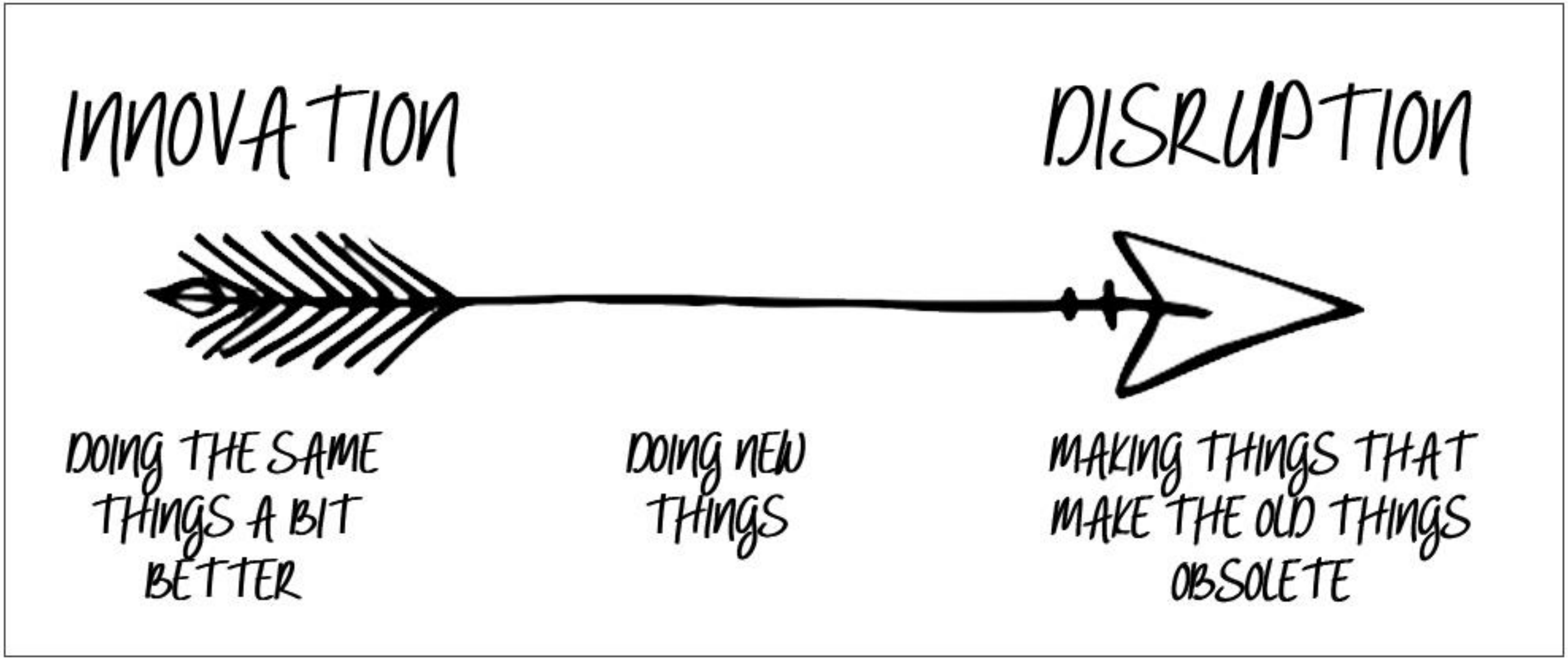
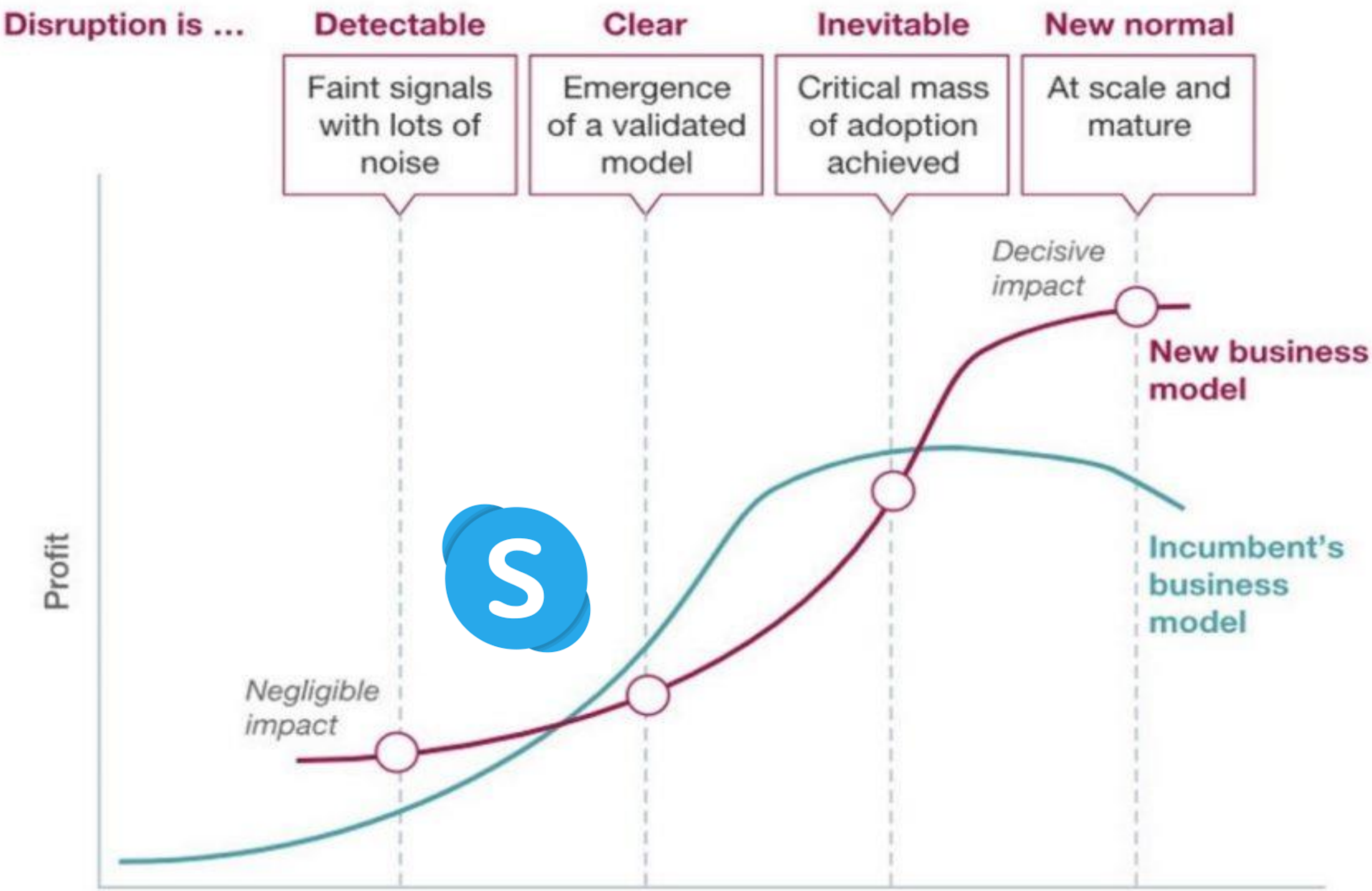
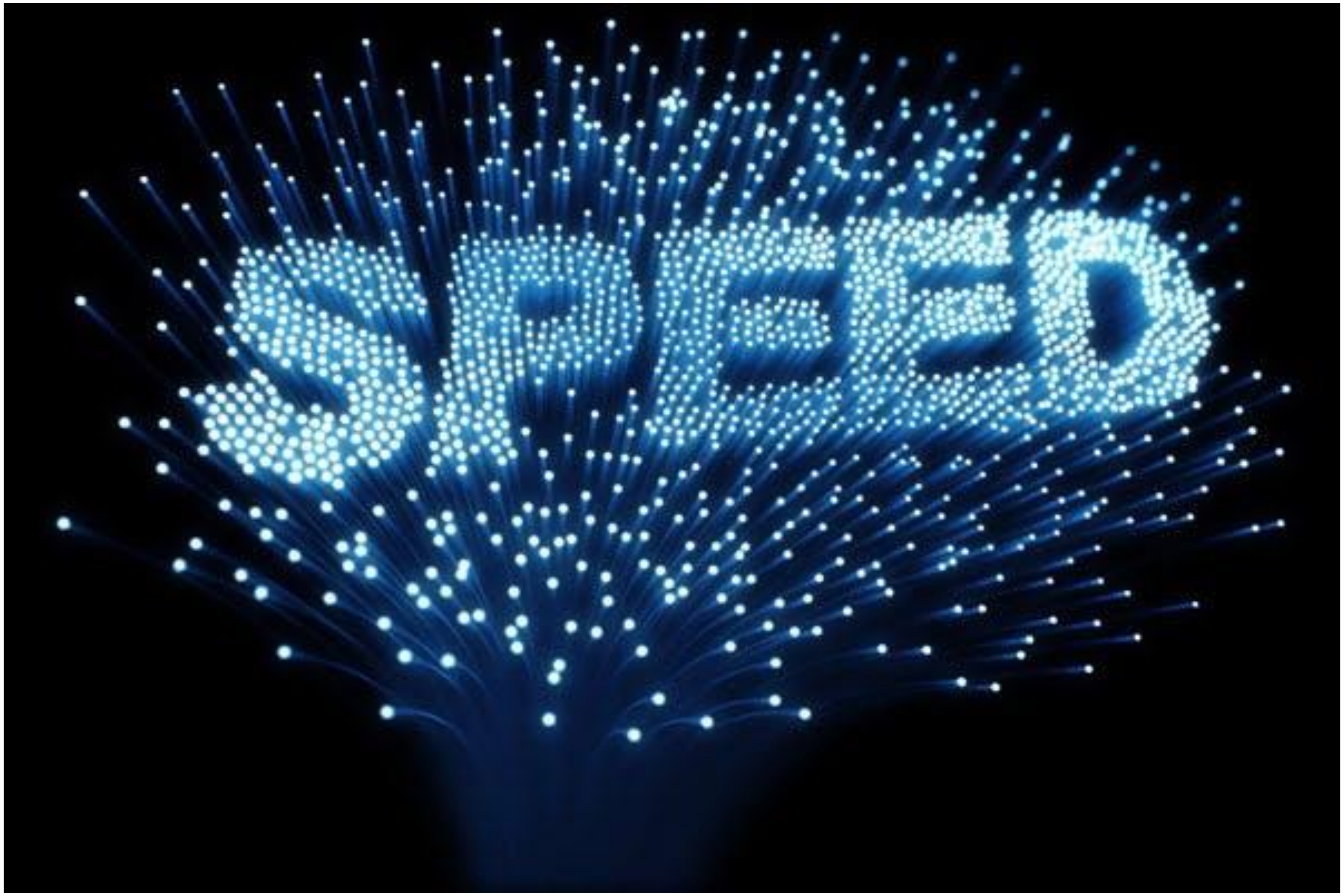


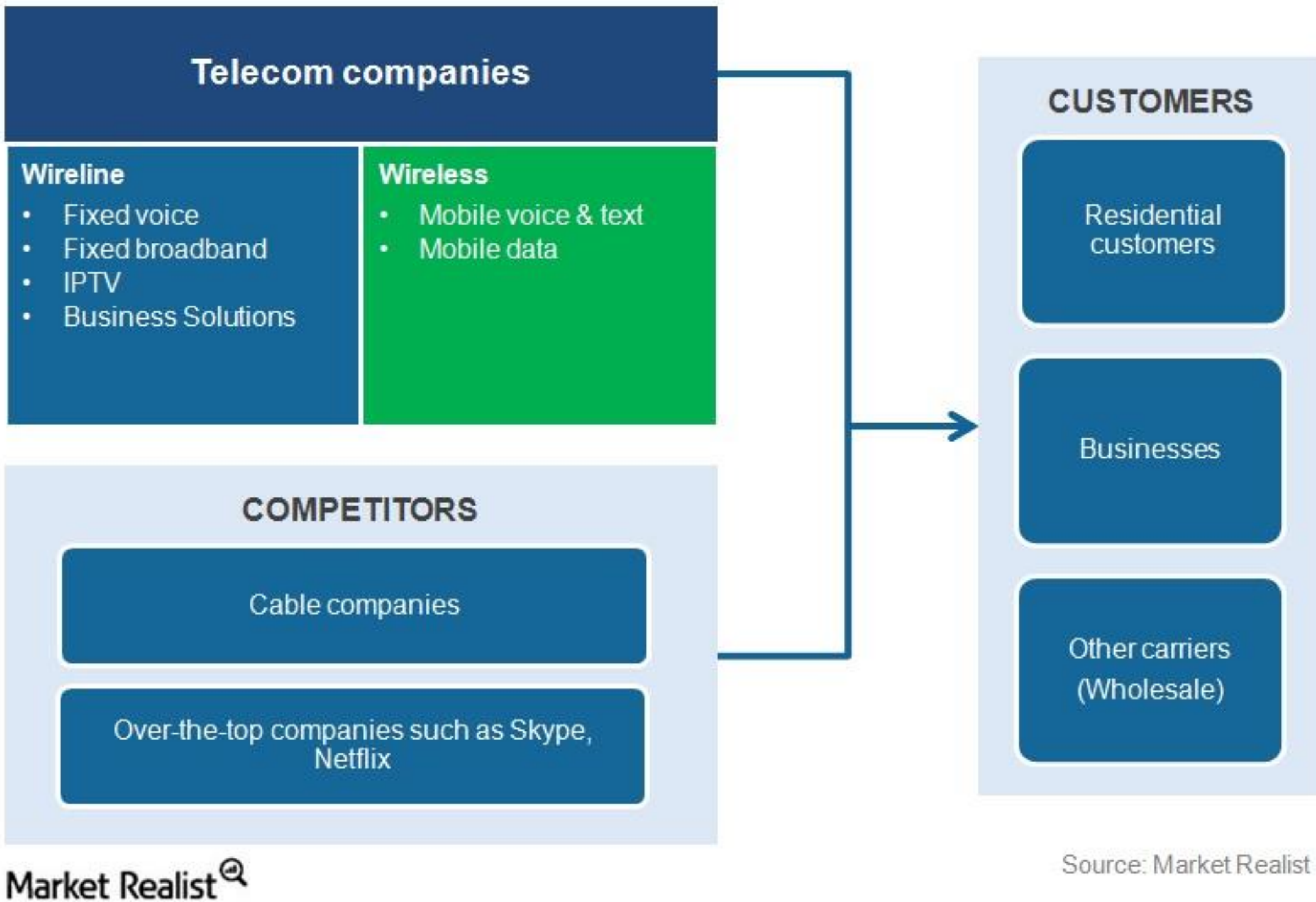
Figure 1: Disruptive innovation can hurt if you are not the one doing the disruption. (Source: Gartner.com)

Disruption and Scale




SPEED

Telecom industry dynamics



Full Service Telcos

Revenue Drivers

- Voice
- SMS -messaging
- Data (Broadband)
- Mobility
- Enterprise

?

Substitution

Telex

Fax

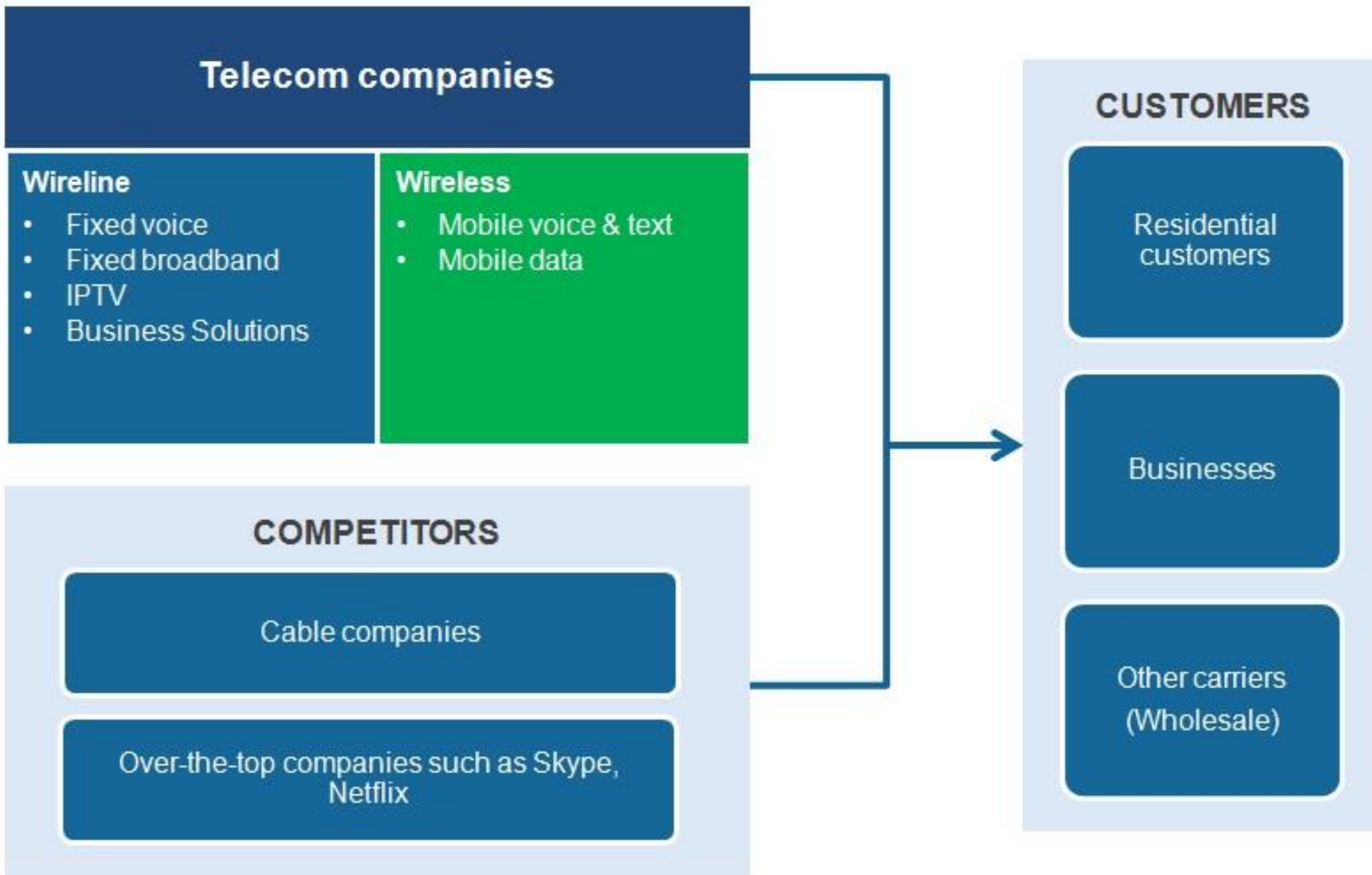
Voice

Video

Data

Mobility

Telecom industry dynamics



Market Realist

Source: Market Realist

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

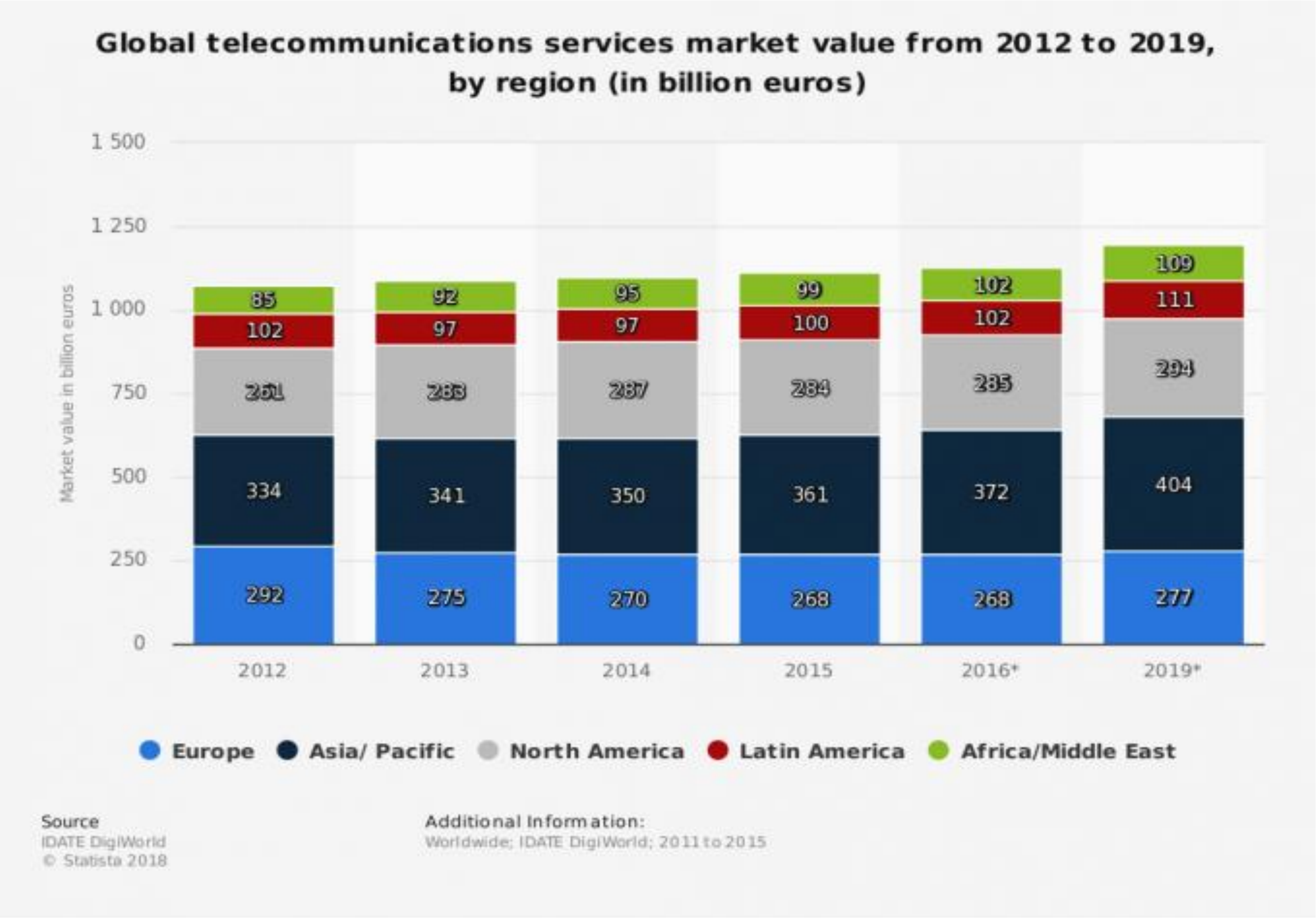
Threats? Revenue Loss 2012-2017

$461 Billion USD

Ovum research 2016

1997 Netscape
2007 iPhone

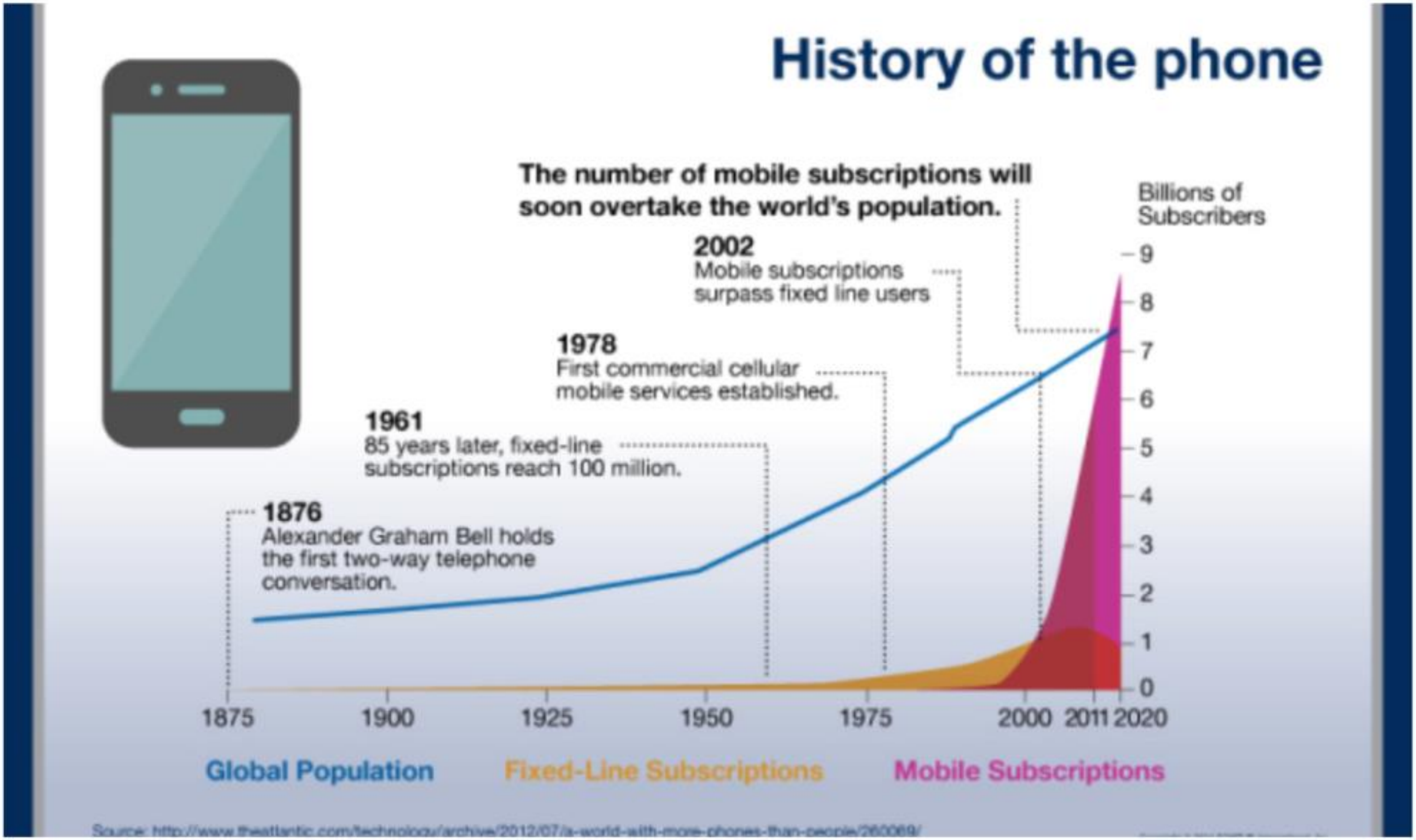
Global Telecom Revenue



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.
Billions of Subscribers
9
8
7
6
5
4
3
2
1
0
1875
1900
1925
1950
1975
2000
2011
2020
Global Population
Fixed-Line Subscriptions
Mobile Subscriptions
Source: http://www.theatlantic.com/technology/archive/2012/07/a-world-with-more-phones-than-people/260069/

62%

Statistica 2017

2019 This Is What Happens In An Internet Minute

CI

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

Google Search 2018

Time spent on major digital activities like video, audio, social media and gaming will continue to increase

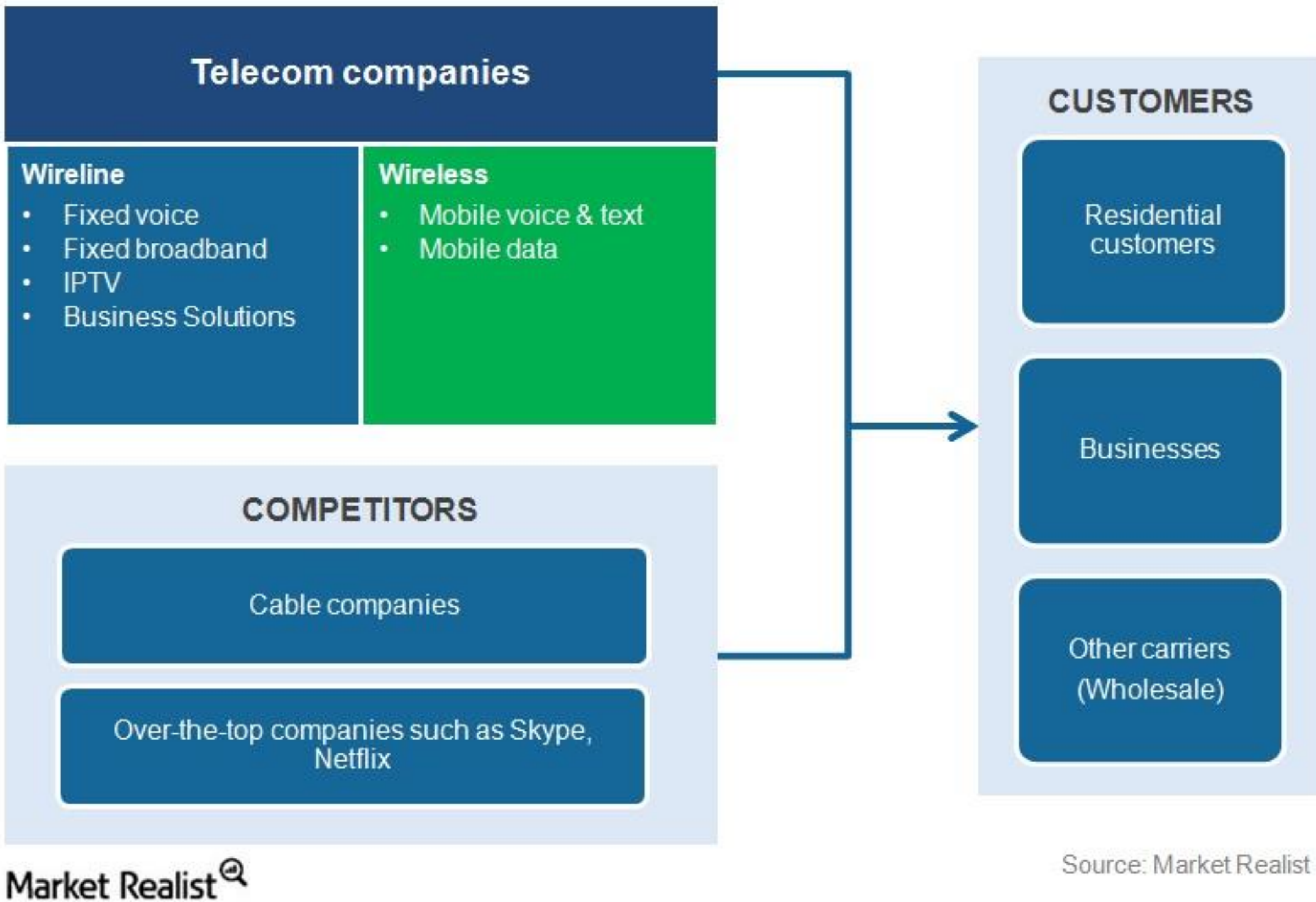
Time Spent Among 18+ Users, U.S., 2011 - 2017E, Hours : Minutes

activate www.activate.com

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?

Telecom industry dynamics



Source: Market Realist

Keys for OTT Disruption

Fixed Line → **Full Service**

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

- **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 → **Cable TV**

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

- **Quality of Service**
- **Develop Accessible Content**
- **Broadband Increases**
- **Mobility Partnership**
- **M&A Opportunities**

Keys to working with OTT Disruption

Mobility → **MVNO**

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

- **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: Dont trust anyone on the internet, dont get in strangers cars.

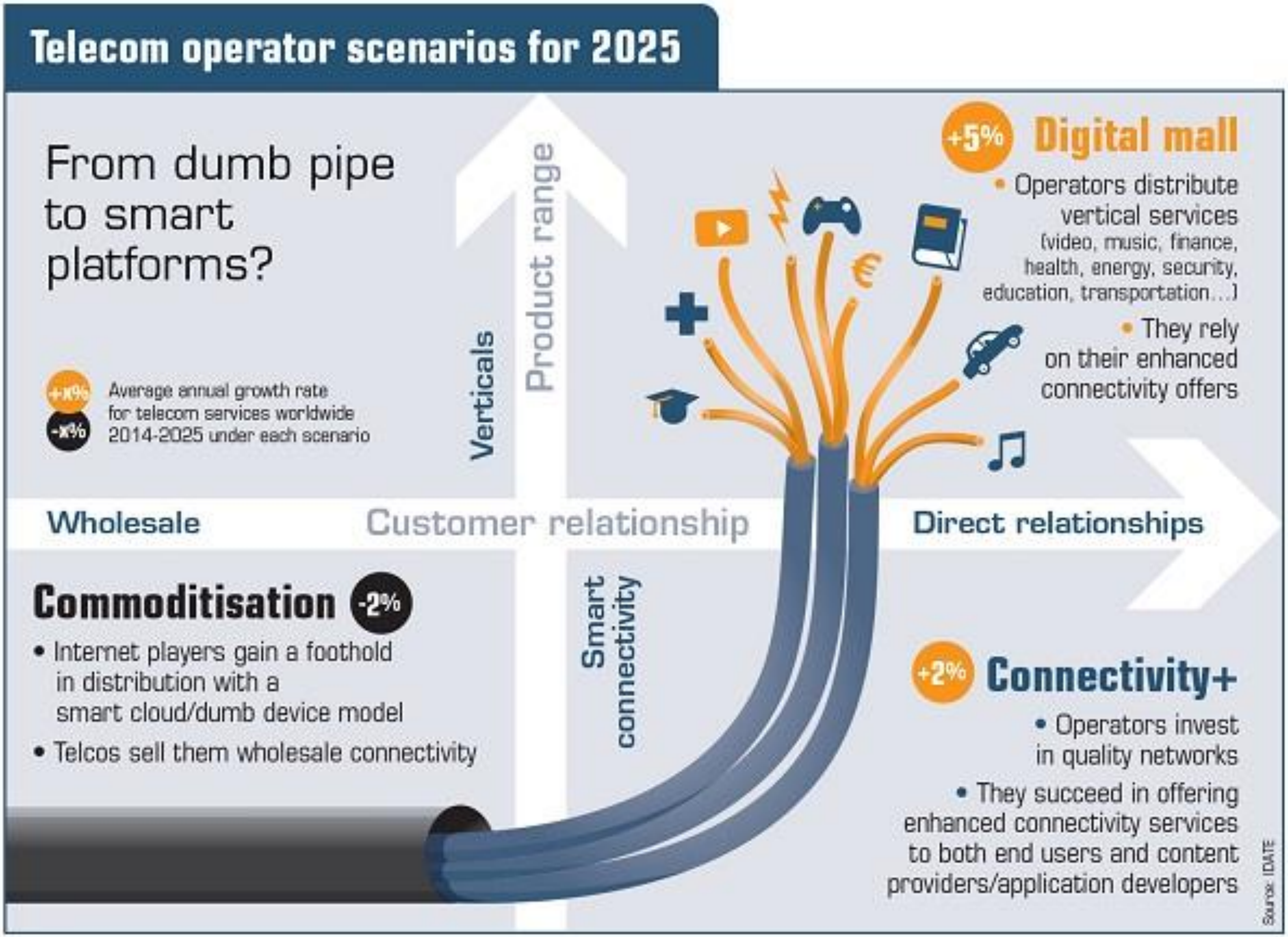
2017: use the internet to get into a strangers car

Thank you.

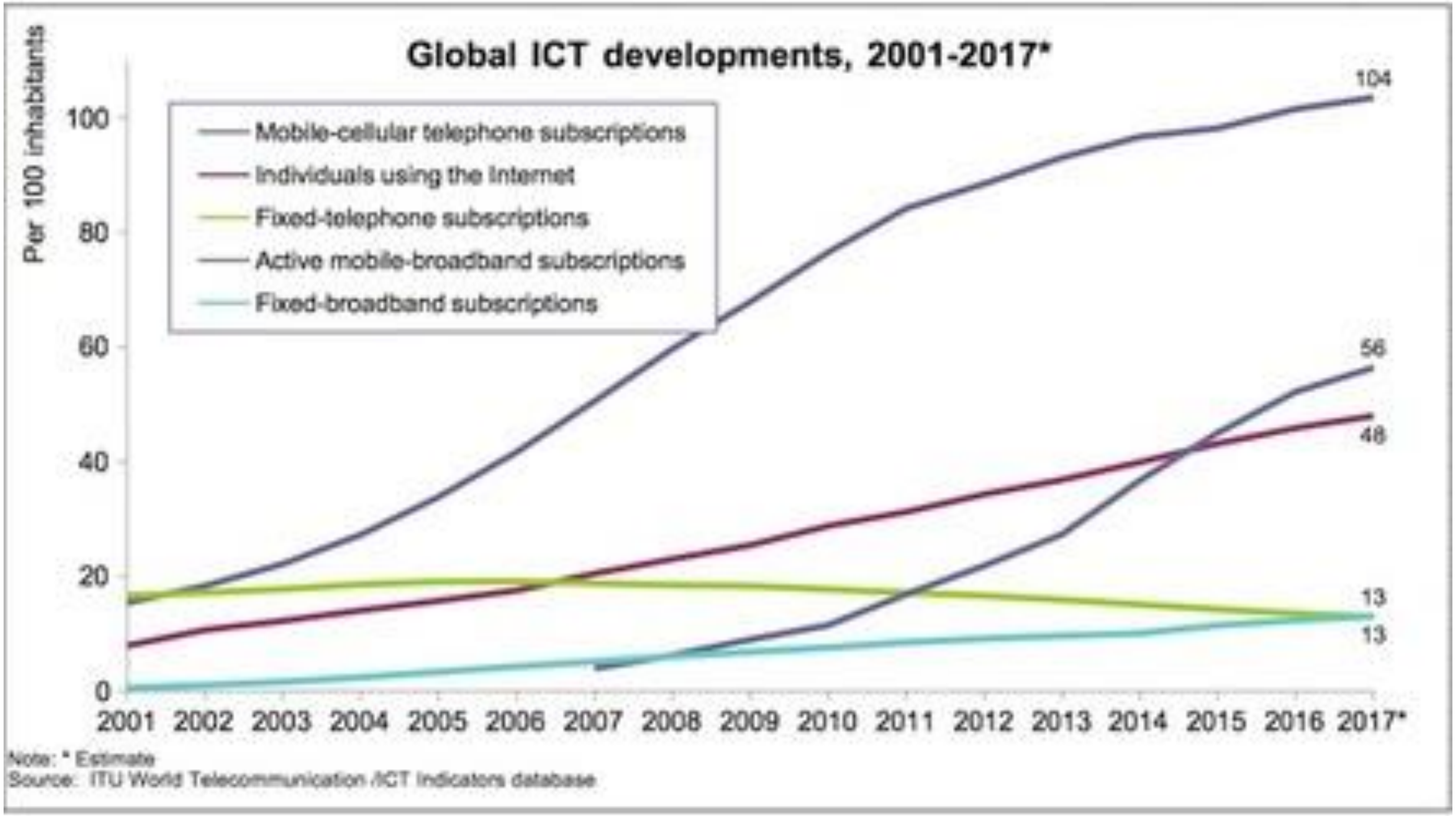
Questions

Your Move!

Ubiquity & Scale


Telecom operator scenarios for 2025
From dumb pipe to smart platforms?
+x% -x% Average annual growth rate for telecom services worldwide 2014-2025 under each scenario
Product range
Verticals
Smart connectivity
Wholesale
Customer relationship
Direct relationships
+5% Digital mall
• Operators distribute vertical services (video, music, finance, health, energy, security, education, transportation...)
• They rely on their enhanced connectivity offers
Commoditisation -2%
• Internet players gain a foothold in distribution with a smart cloud/dumb device model
• Telcos sell them wholesale connectivity
+2% Connectivity+
• Operators invest in quality networks
• They succeed in offering enhanced connectivity services to both end users and content providers/application developers
Source: IDATE

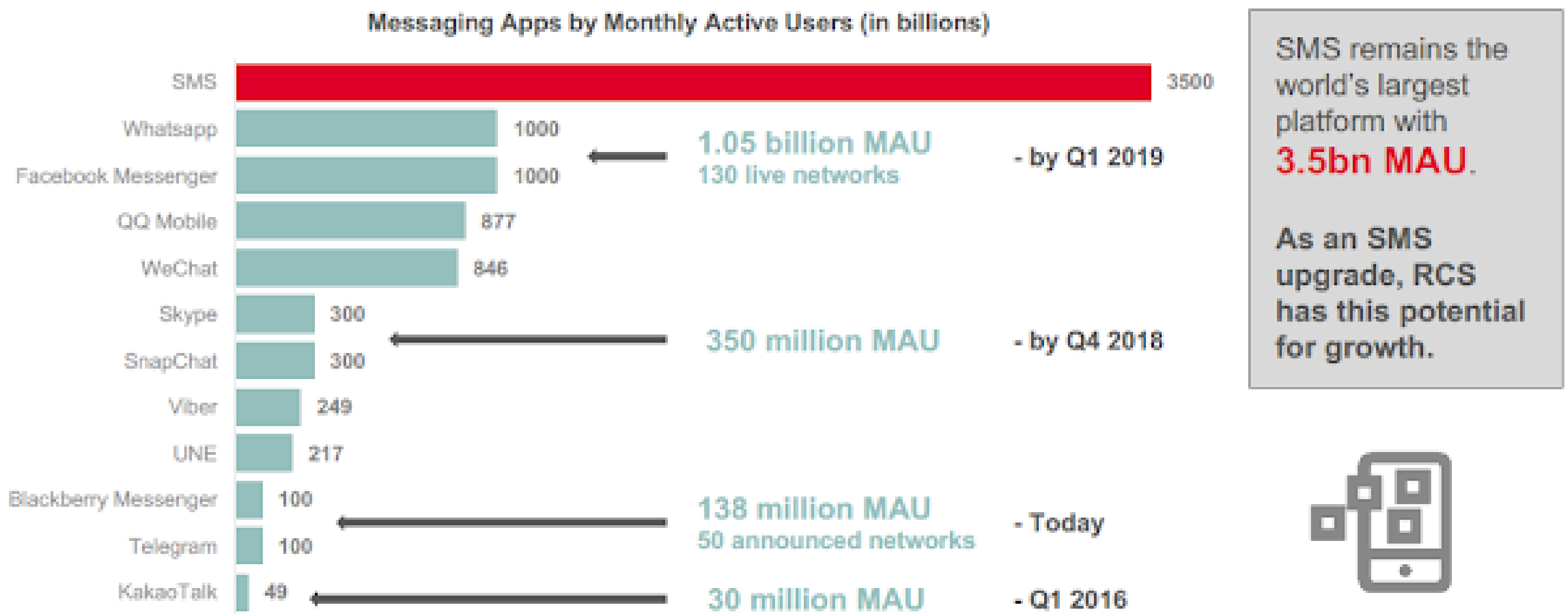
Global Growth Picture ITU



PA

Monthly Active Users by size

RCS is growing! How does it compare?



OTT Take Away

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