Networks and applications:
From value disruption to value co-creation

Arab Regional Forum on
"Future Networks: Regulatory and Policy Aspects in Converged Networks".
(Rabat, Morocco, 19-20 May 2015)

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Every success has its network

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Industry Shift

How the industry is being transformed ?

What are the impacts on the networks of the future

Towards Value Co-creation

Scenarios & tactics : is it really a battle ?

How to achieve a 'win-win scenario' for all players ?

The Investment Dilemma

Who invests in what ?

What business model ?

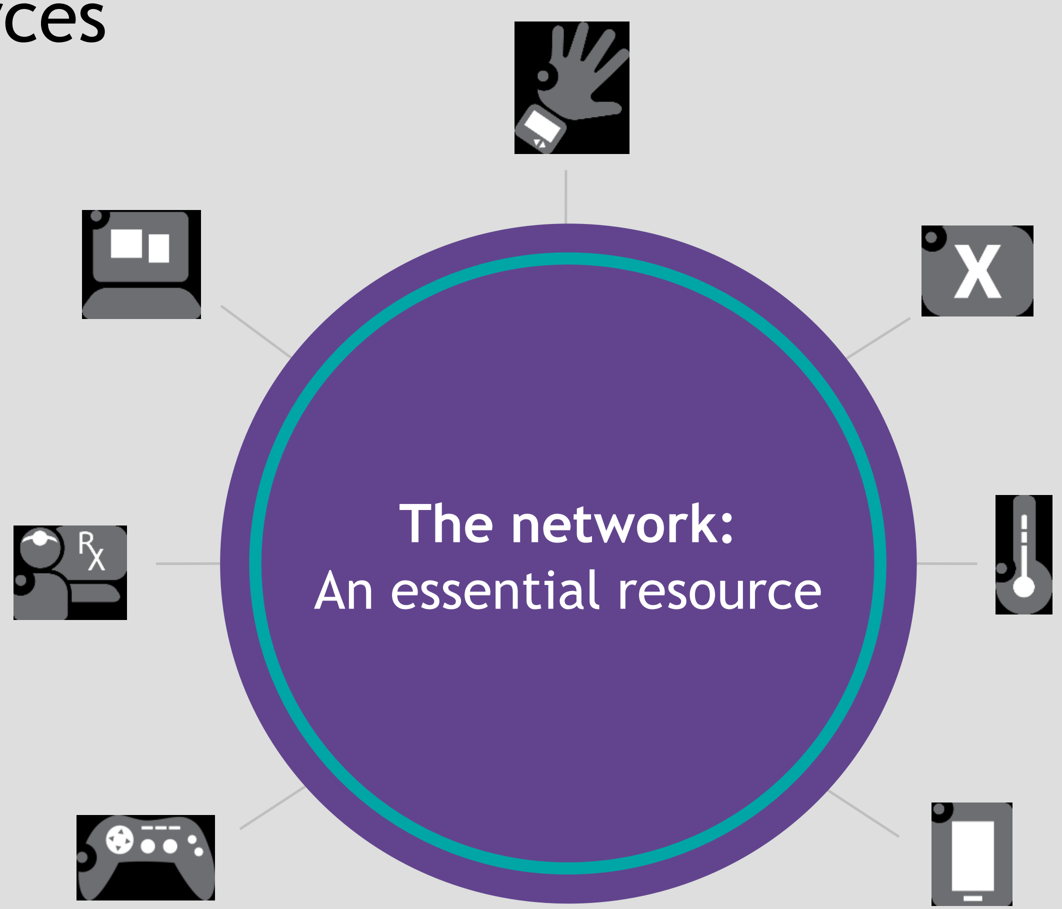
Is it only a question of business models?

Industry Shift

Resulting market forces

Disruptive scaling in usage

Mobility
Video
Devices
Things



Highest performance
Lowest cost per bit
Most personalized

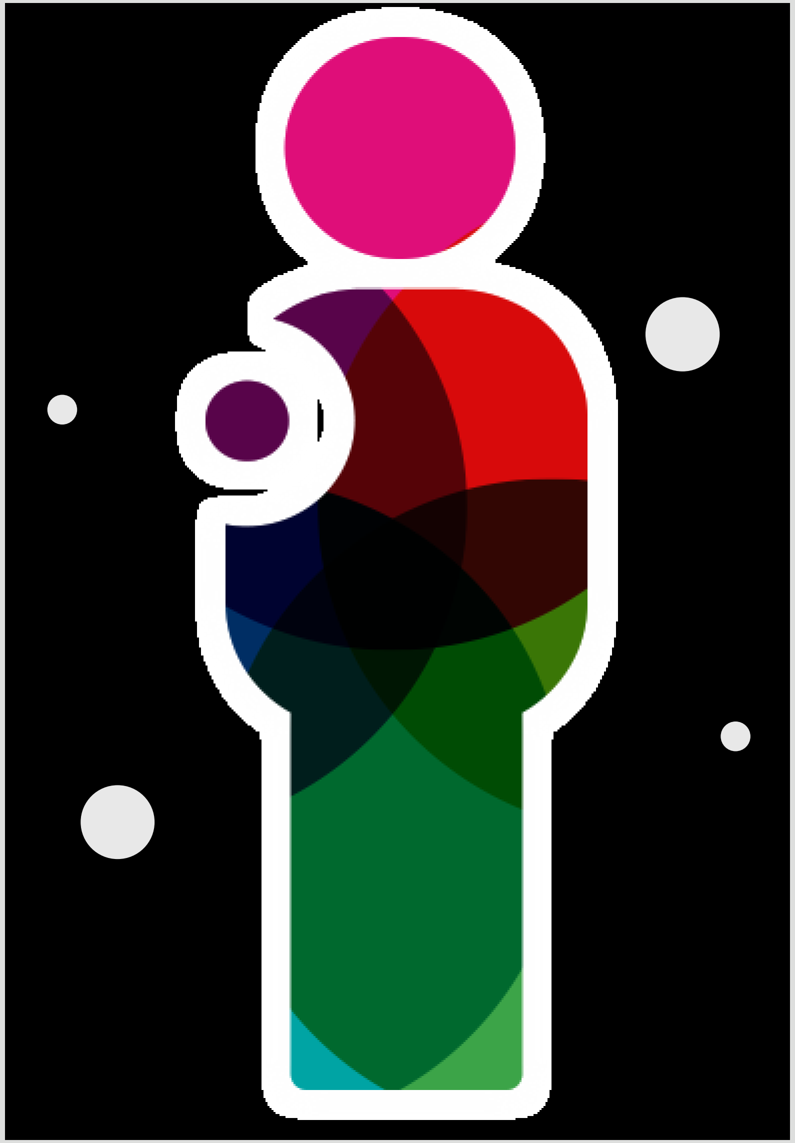
Massive move to the cloud

@ Enterprise
@ Home
@ Providers

VALUE VALUE

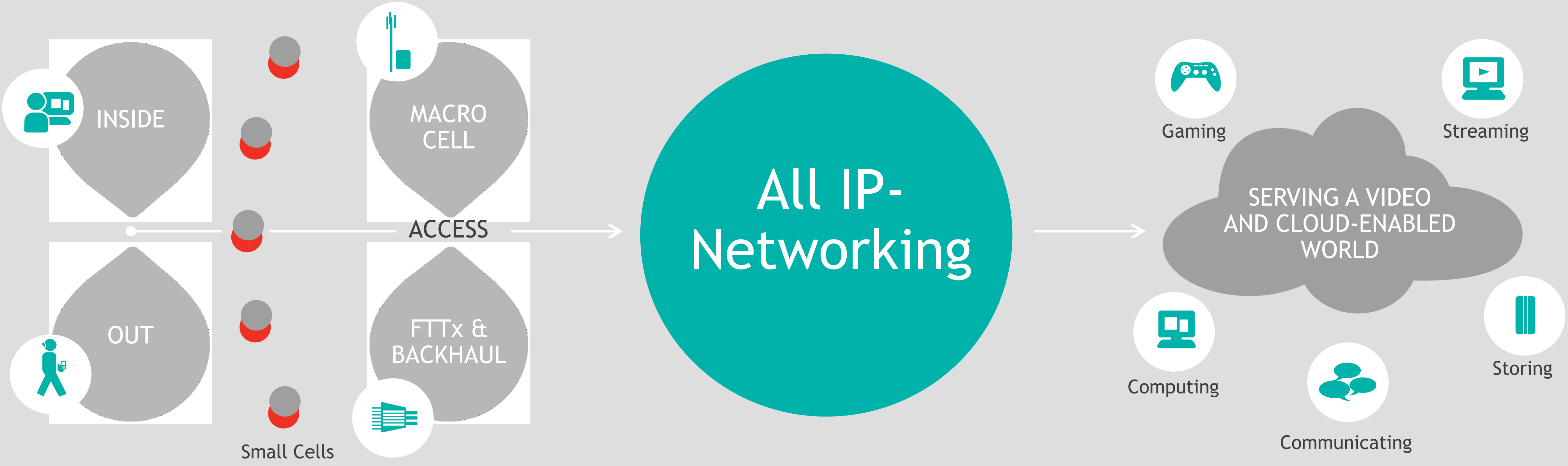
How we build networks is changing

THE NETWORK
NEEDS TO
ADAPT TO THE
USER



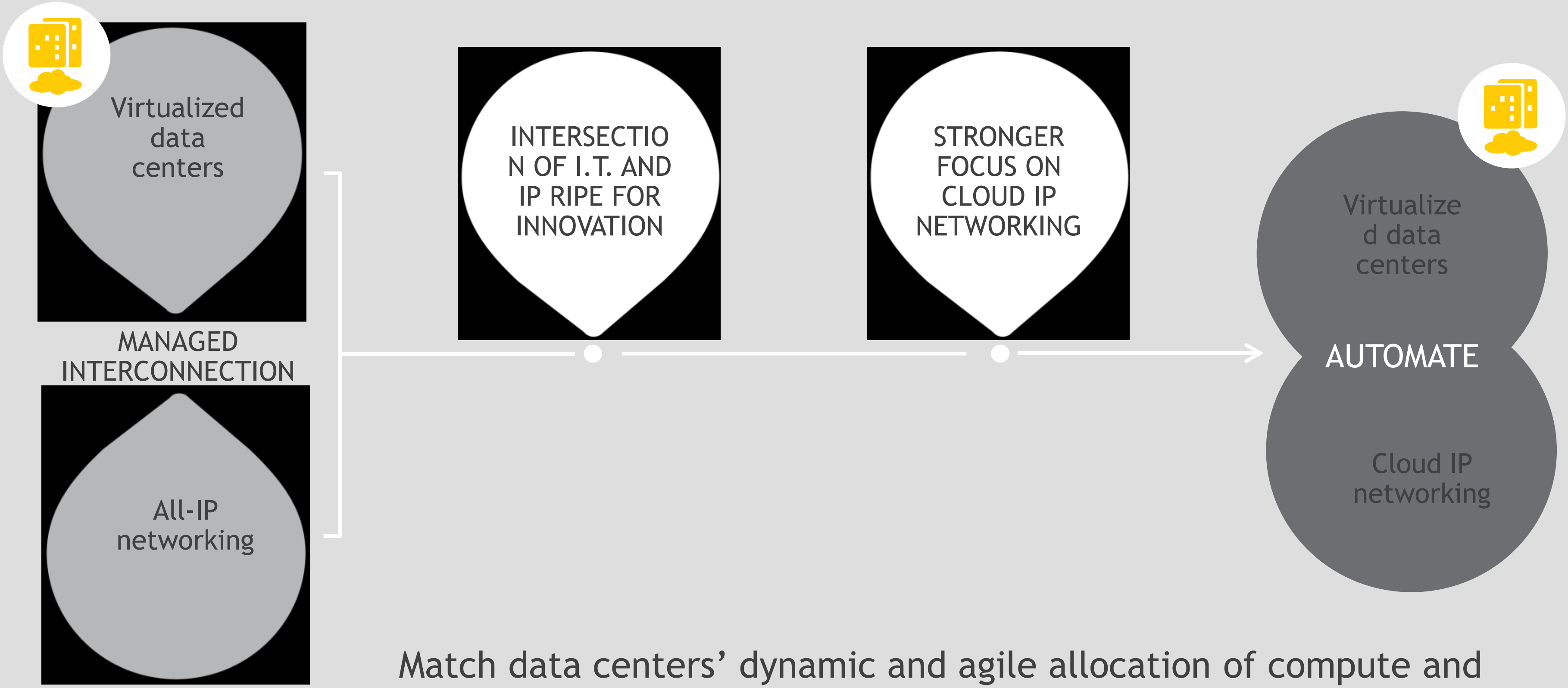
Network

The essential bridge



Bandwidth | Latency | Security | Reliability | Multi-Tenants | Multi-Services

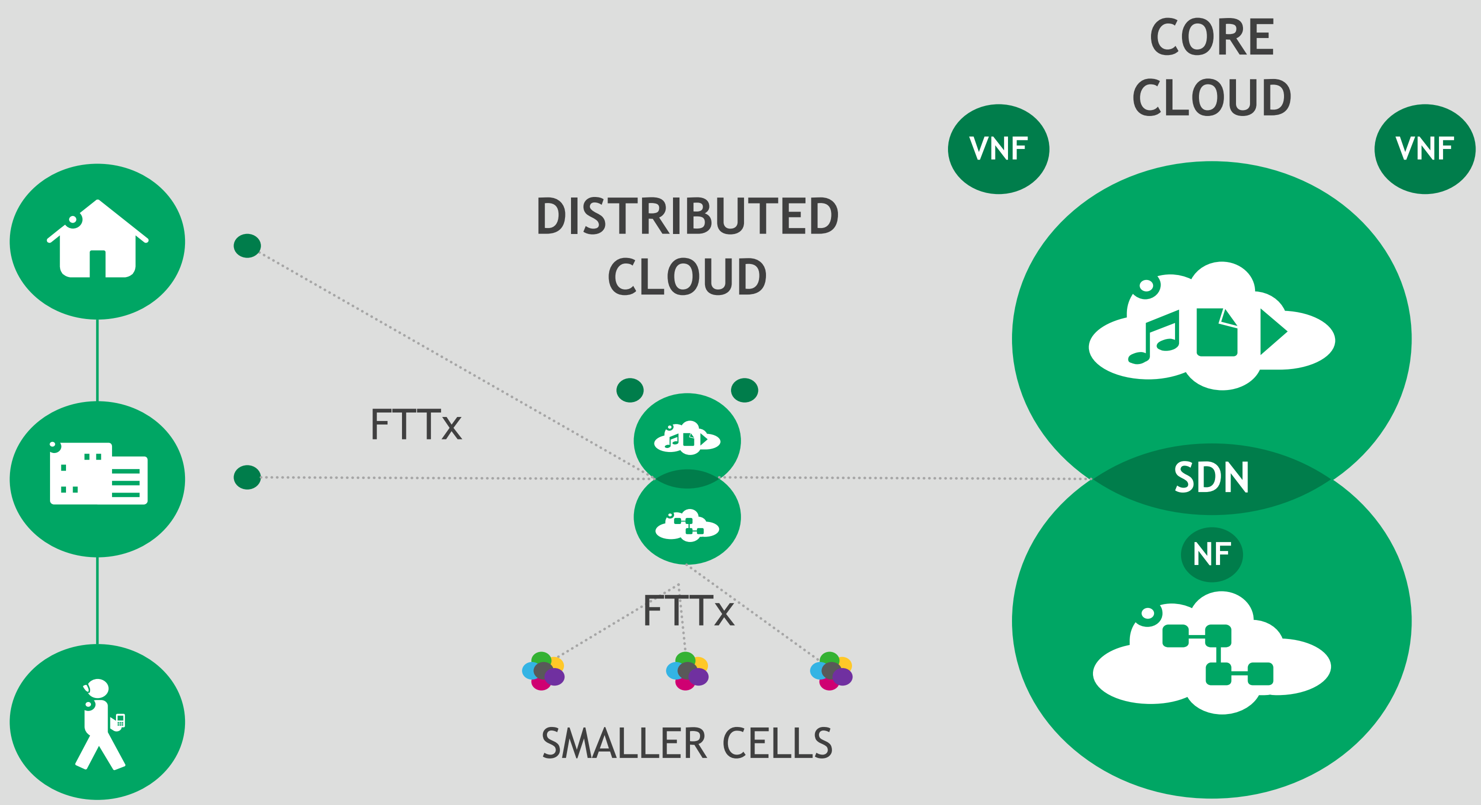
IT and the network meet



Match data centers’ dynamic and agile allocation of compute and storage with an equally automated ‘**Cloud IP network**’

FROM WEBSCALE TO TELCOs AND ENTERPRISES

Networks must be closer to the end user and integrated with the cloud

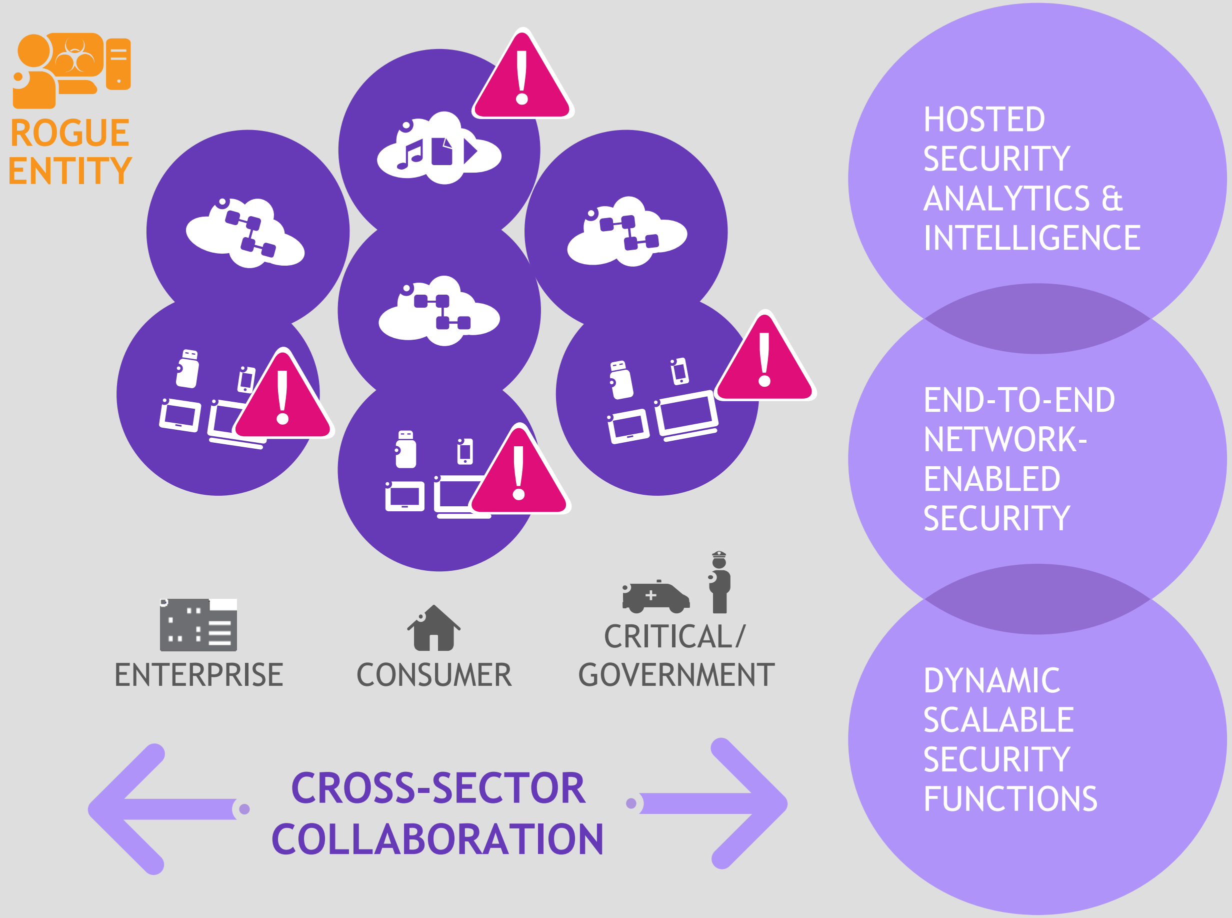


DEVICE VIRTUALIZATION AND HOSTING

CLOUD FUNCTION DISTRIBUTION

Networks must be secure

GLOBAL THREAT—MULTIPLE COORDINATED ATTACK



Network of 2020

Access faster and converged with IP

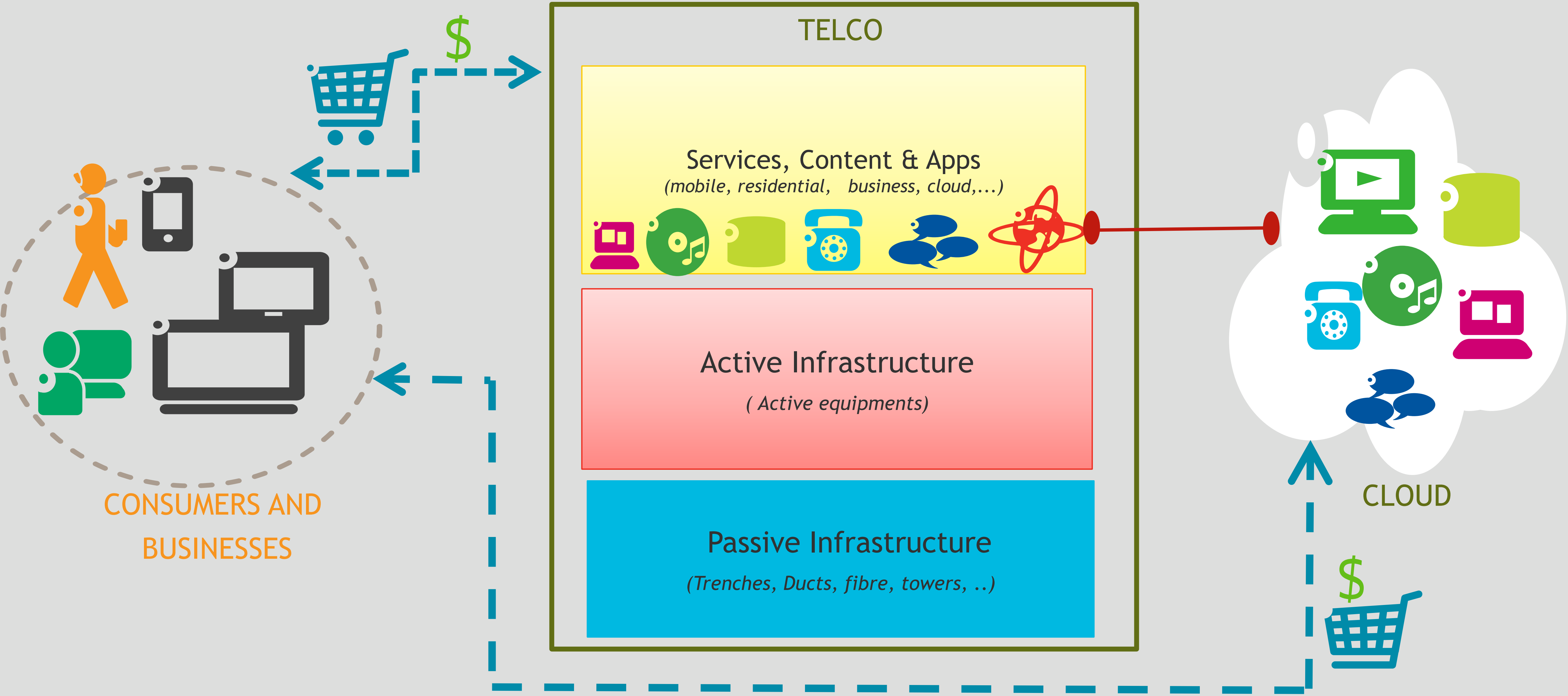
IP network re-partitioned, dynamic and programmable

Home functions and devices virtualized

Network operations adopt the agility of the cloud and its business models

Towards value Co-creation

What is happening really ?



There are fundamental differences between Telco and OTT players

TELECO WORLD

Certified devices

QoS

Managed services

Controlled ecosystem

Geofenced

Regulated

Network centric

OTT WORLD

Any combinantion of devices, network, and services

Best effort QoS

Defacto **multiple** ecosystems (iOS, Android, Windows, ..)
Global

Not regulated

Applications/experience centric

There are fundamental differences between Telco and OTT players

TELECO WORLD

Business Model:

Triple **justification** upfront,

Little room for error

Pricing: metered, bundles, flat,..

OTT WORLD

Business Model:

Low upfront investment,

low entry barrier

Trial and error,

Incremental improvements

Pricing: Free to use (ad based),

pay-to-use, Freemium (hybrid)

How do the telcos respond ?

1. **Block/Prohibit** OTT traffic

2. **Charge the OTT players** for terminating traffic to the consumers through their networks,

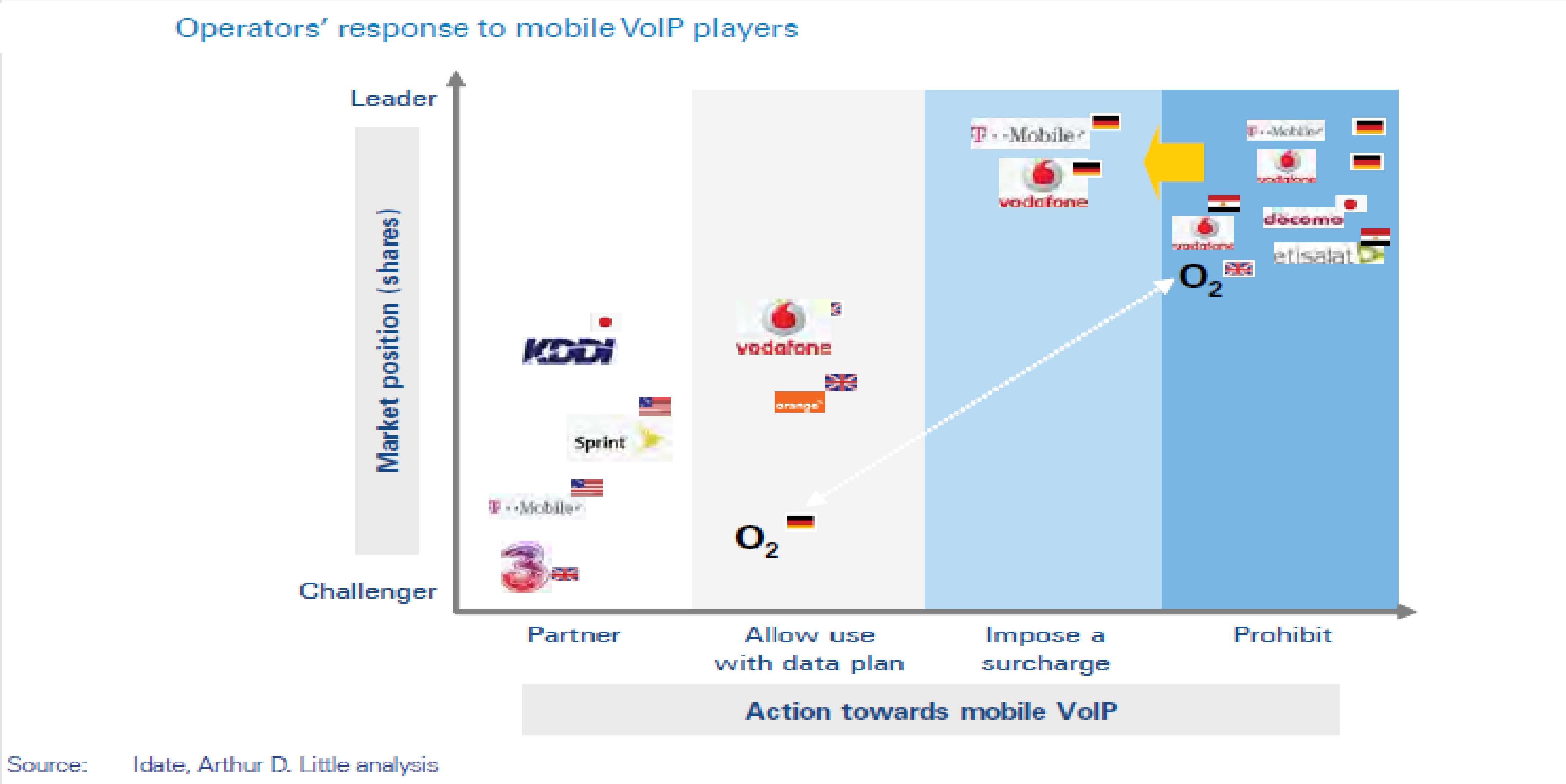
3. **Charge consumers** an extra or “premium” to use some OTT services,

4. Apply **differentiated quality of service** treatment to the Internet traffic that is delivered through their network,

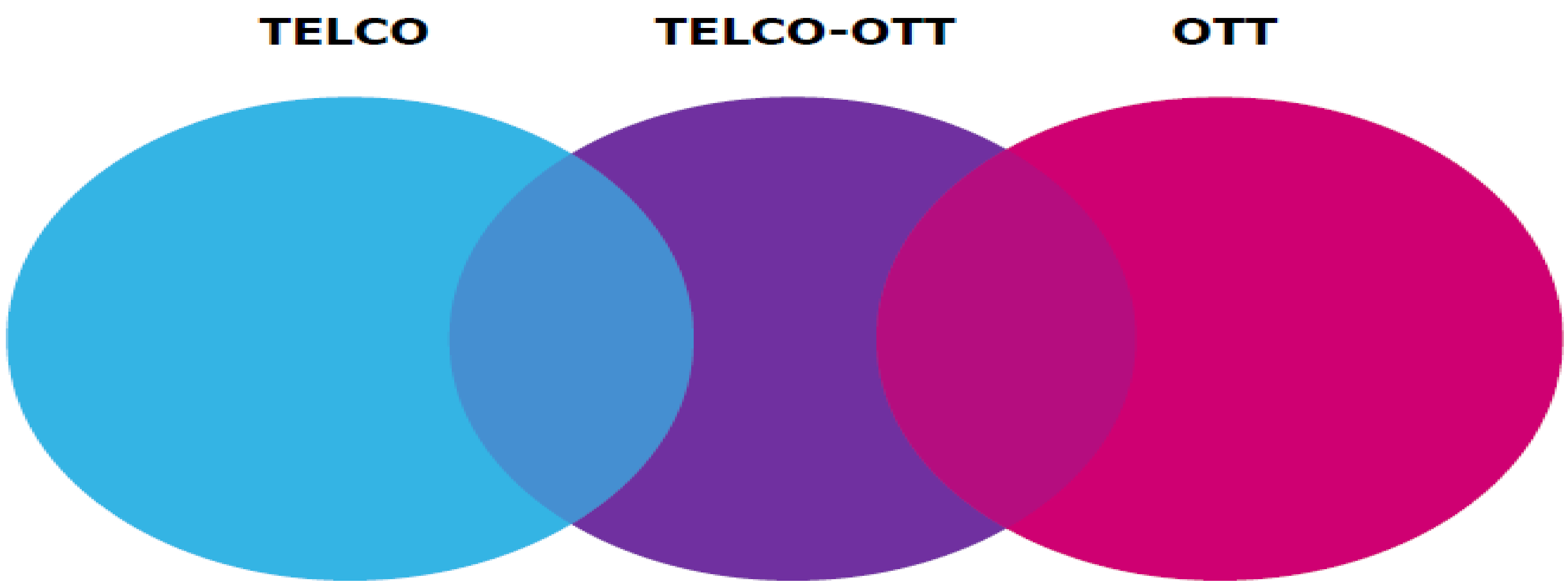
5. **Compete** with Internet OTT players.

6. **Partner** with Internet OTT players,

Example: the case of mobile voice OTT

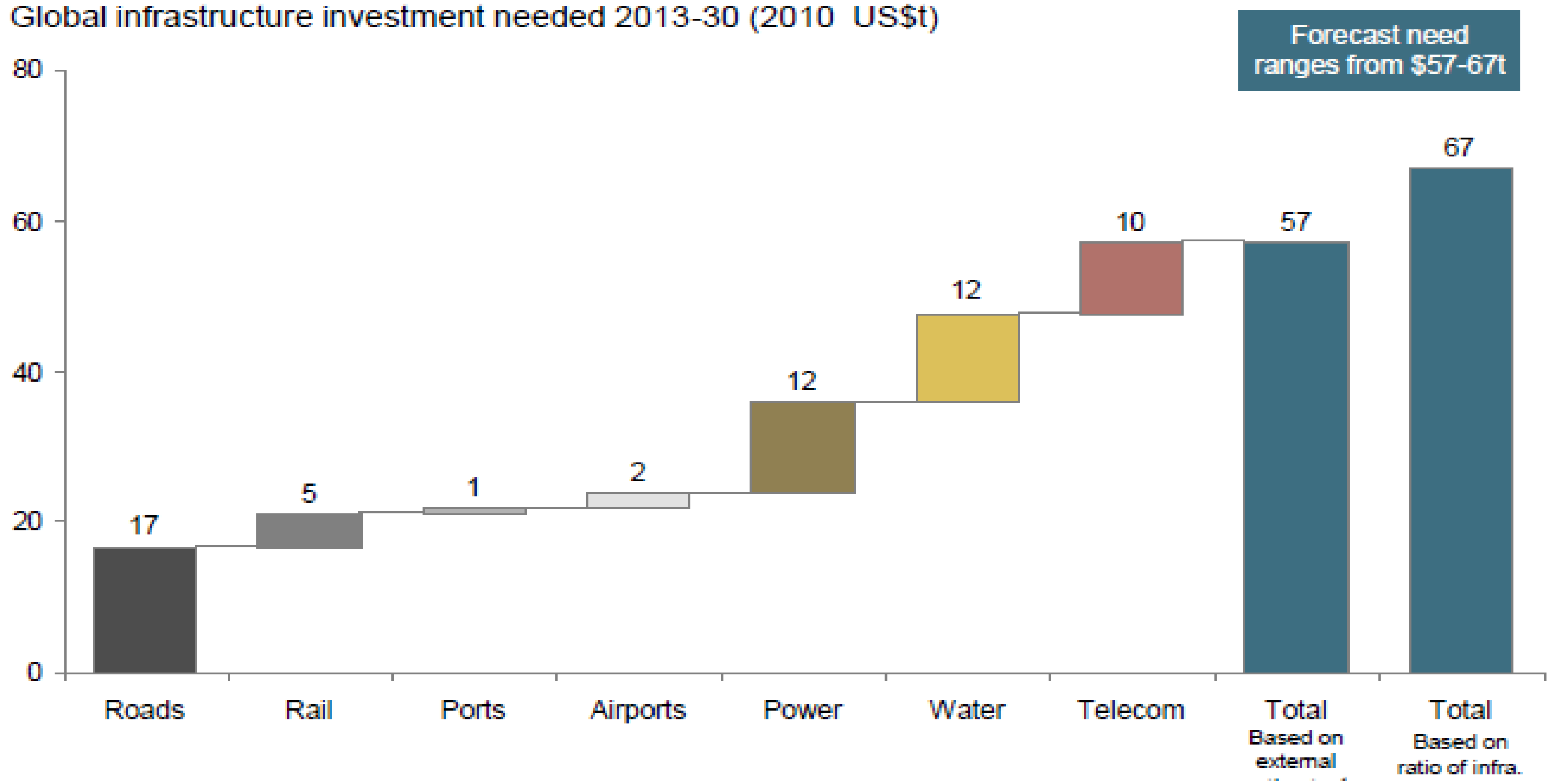


Telco-OTT: towards value-co-creation



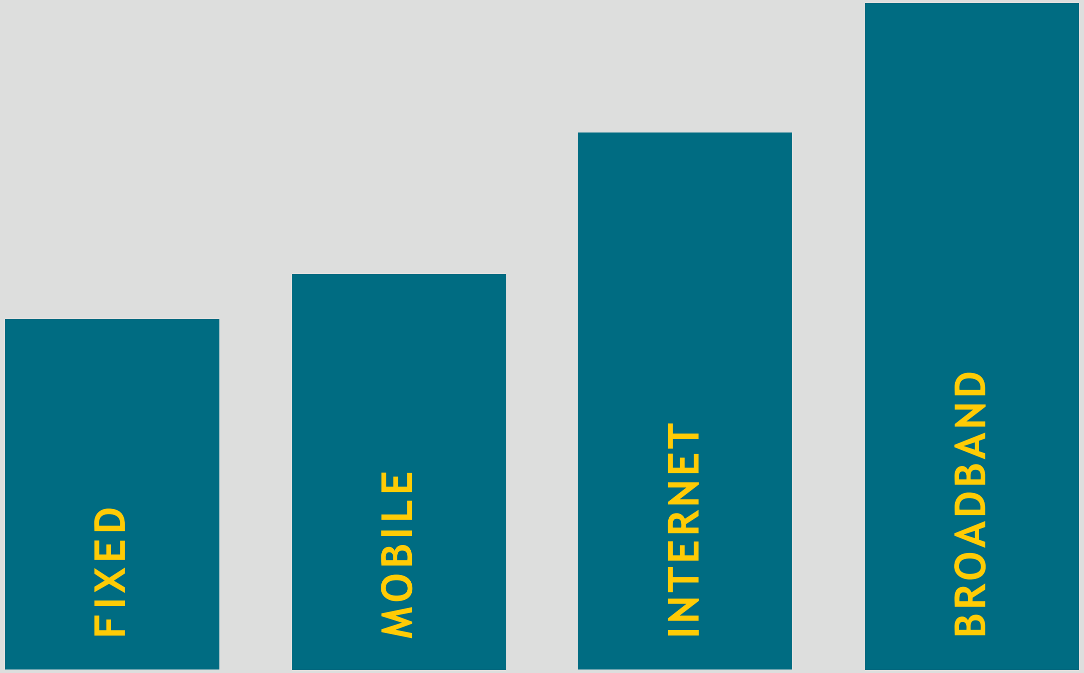
The Investment Dilemma

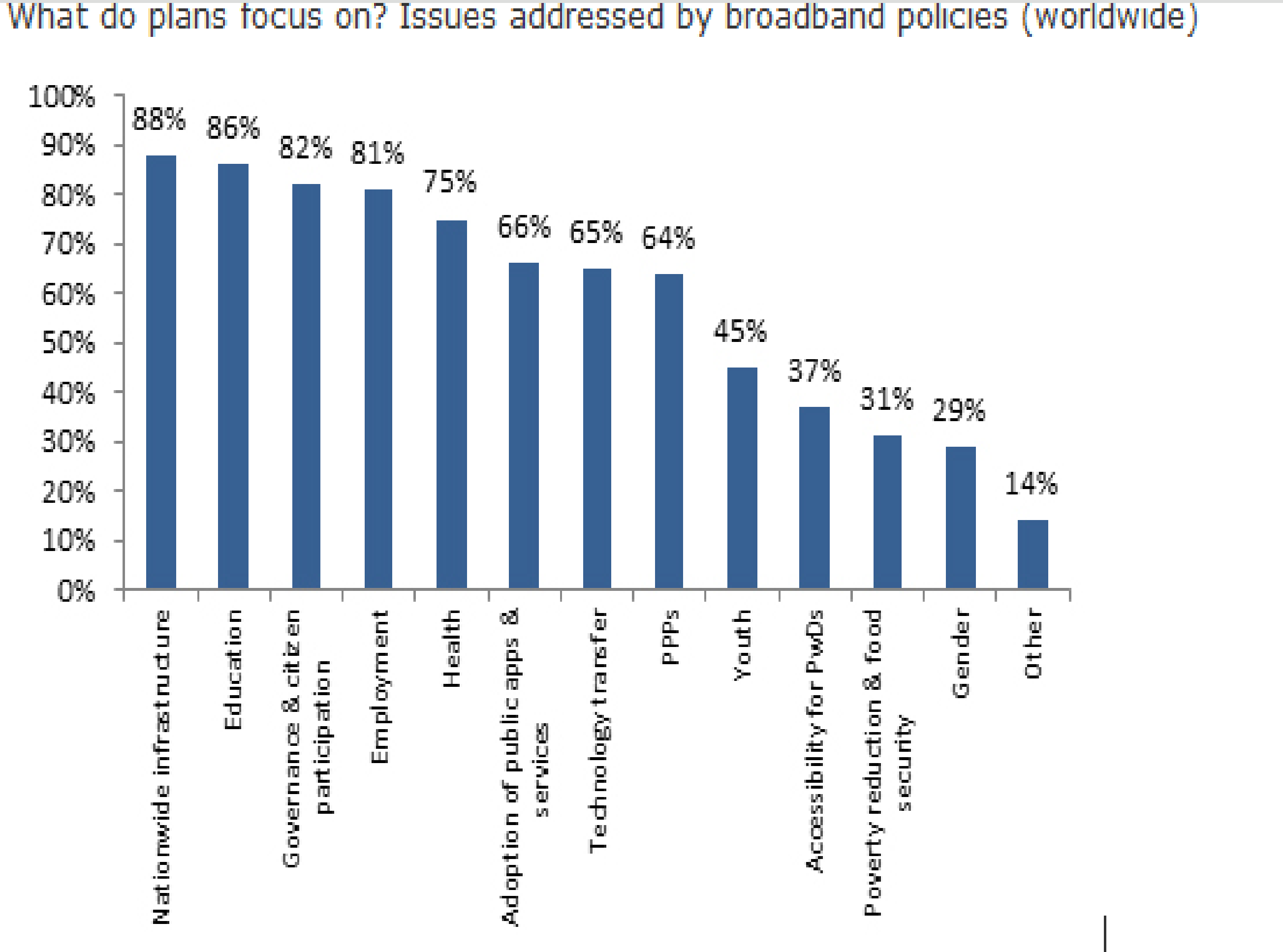
$ 10 trillion needed for telecom infrastructures (2010 -30)



1. Based on external estimates from the OECD, IEA, ITF and GWI. 2. Assuming current ratio of infrastructure stock to GDP is maintained at ~70%.
Source: McKinsey Global Institute, 2013.

It is not only about business models and a Telco-OTT debate

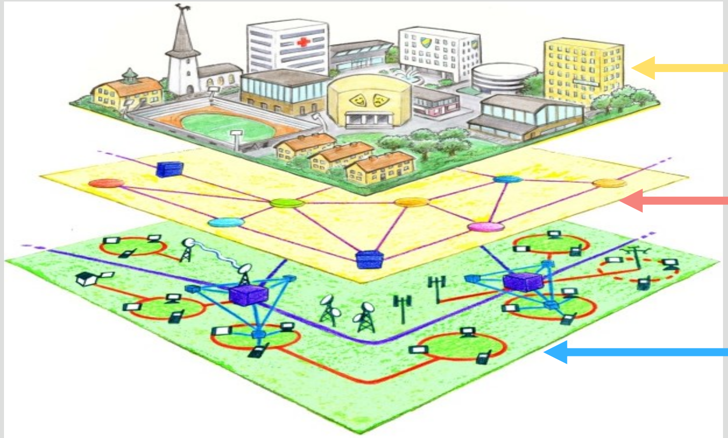




Source: *ITU and the Broadband Commission for Digital Development.*

When more people get connected and contribute to the digital economy, the **GDP GROWS**

Rethinking the investment models



Investment needed

Payback

¥£€$

End Users

Services, Content & Apps
(mobile, residential, business, cloud,…)

<3y

Active Infrastructure
(Active equipments)

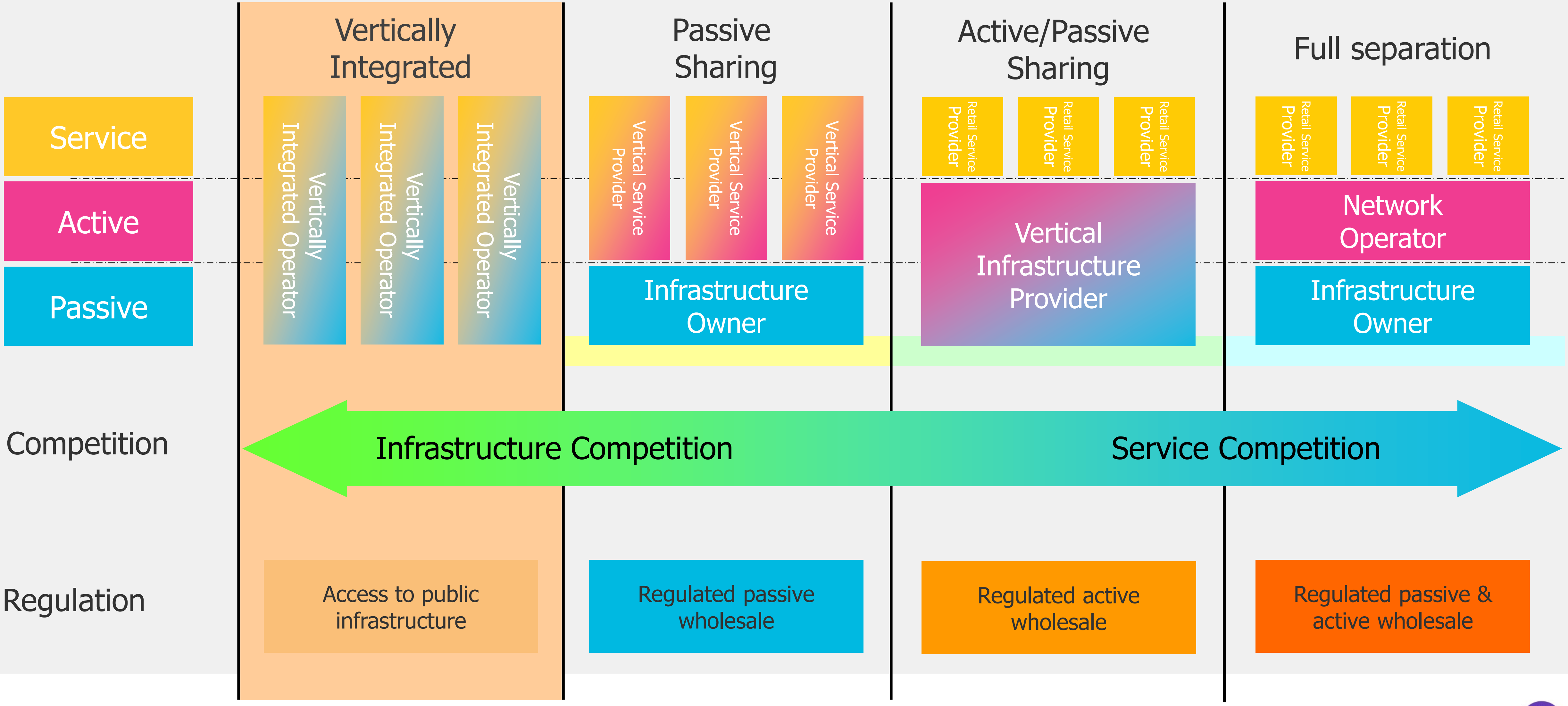
5-7y

Passive Infrastructure
(Trenches, Ducts, fibre, towers, ..)

15-20y

20% < 80%

Identifying the right regulatory and market structure



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In conclusion: Partnerships and alliances will help all stakeholders build the future together

Partnerships between the public and private sectors are essential

The sector development spans across all other vital sectors of the economy

To deliver innovative services and respond to consumer deman and changing behaviour, Telcos, vendors, and OTTs have no choice but to collaborate and co-create value

goals

- Grow business by combining forces
- Bring joint innovative solutions to the market that can manage complexity, connectivity and commercialization issues
- Transform the consumers and nations challenges into solutions and opportunities for development for them

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