ITU-T BRIDGING THE STANDARDIZATION GAP

Economic impact of Over-the-top (OTT)services

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SG-3 has committed to continue work on the economic impact of *over-the-top (OTT) services*.

- What are OTT services?
- "OTT" – services "over the top of" the operator's infrastructure.
- OTT services can be defined as any service provided over the internet that bypasses traditional operators' distribution channel (***Hye Jin Park*** ,2017).

Key examples of OTT services are:

- Skype,
- Viber,
- WhatsApp,
- Instagram,
- Google Talk,
- e-commerce sites
- (Amazon etc.),
- Facebook messenger,
- iMessage,
- Online video games
- and movies (Netflix,
- Pandora).

Source: Detecon -The OTT butterfly effect – Small companies and apps with big influence, 17.02.2015

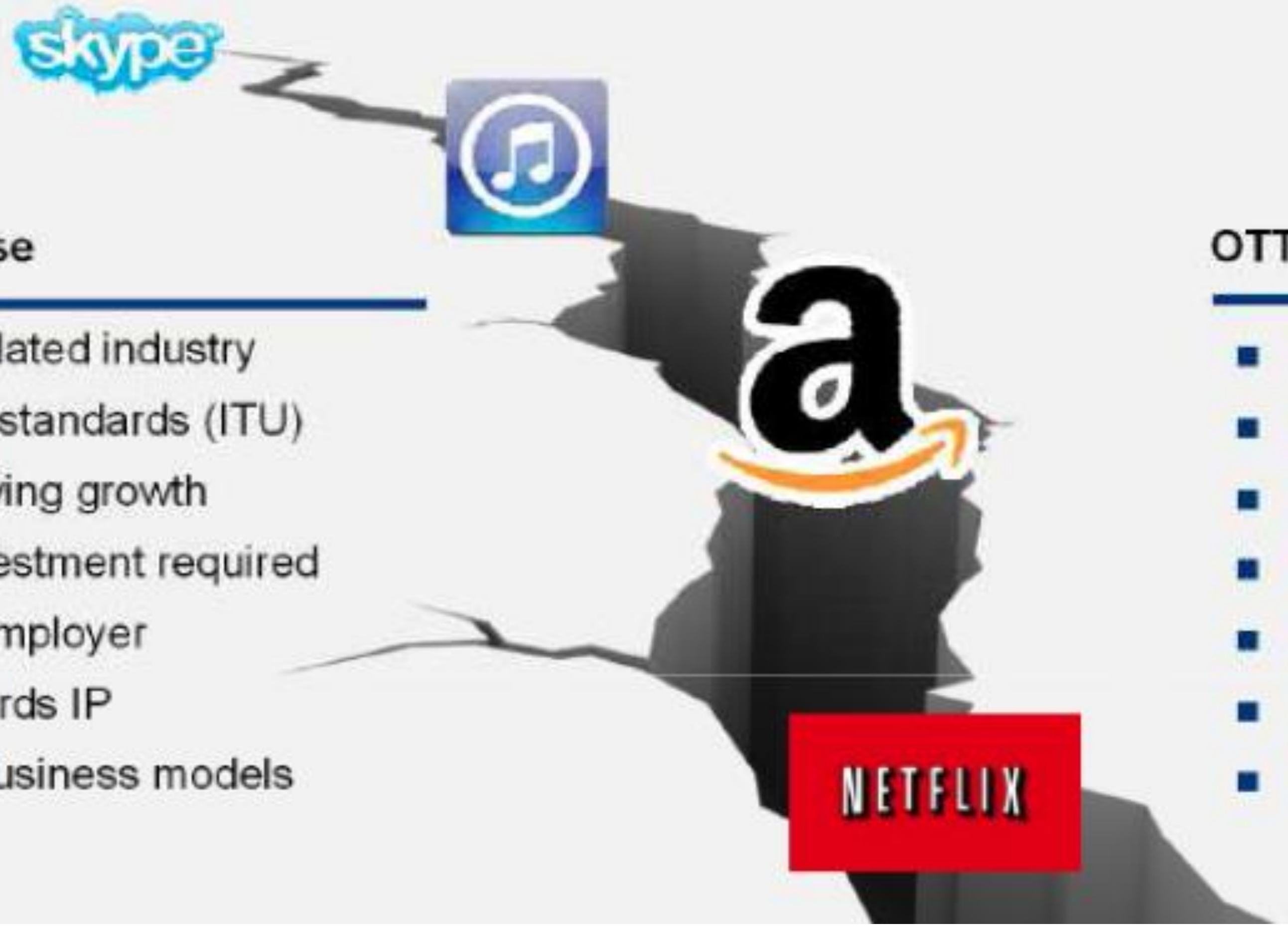
According to Telecom Regulatory Authority of India(2015),

in their paper on Regulatory Framework for Over-the-top (OTT) services, they have seen that telecommunications companies are at a competitive disadvantage to OTTs because of asymmetric regulation around a number of issues.

Dissimilarities between Telecom and OTT

Telecom Universe

- Heavily regulated industry
- Telco based standards (ITU)
- Limited/ slowing growth
- High pre-investment required
- Significant employer
- Moving towards IP
- Traditional business models



OTT| Communication Universe

- Limited/ no regulation
- Internet based standards (IETF)
- Rapid growth
- Low, scalable investment
- Limited direct employment
- IP based
- Disruptive models (free, freemium, ad based etc)

Source: Detecon (2014)

Economic impact:
Empirical results

- The Boston Consulting Group(2015) their study findings on Five Priorities for Achieving Europe's Digital Single Market revealed that :
- The combined revenues of telecoms in Europe are expected to decrease by 1% a year for 2015-2019;
- Revenue of OTT players will growth at an annual rate of 13 % between 2015-2019;
- Telecoms share will drop from 41 to 34 % while OTTs share increases from 19 to 30 %;

- The volume of Internet-based voice services in Europe is growing at more than 20 % a year and is expected to lead to a 21 billion EUR revenue loss for telecoms in Europe or 1% of their total, by 2018.
- OTT messaging volume is growing more than 30% a year, and is projected to result in a 10 billion EUR revenue loss for telecoms by 2018.

The case of Rwanda:

For the case of Rwanda:

Using the Mixed Methods: Integrating Quantitative and Qualitative Data Collection approach

In Rwanda, the results show that the percentage revenues of Voice, data and SMS with respect to combined revenue in billion FRW for all three telecom operators are respectively 81%,16% and 4%.

While in term of growth, Voice, data and SMS grow at 4%, 565% and 148% respectively from 2010 to 2017.

On the other hand, qualitative analysis revealed that there is a regulatory imbalance between OTTs and traditional telecom services.

Recommendation

- *The preliminary findings of the paper suggested that the telecom operators should revise(adjust) their existing model of business.*
- *As we can't stop the innovations especially in ICT sector .*

- *Subject for debate : Taxation on OTTs*

Regional Standardization Forum (RSF) for Africa

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