

Content and Applications

– new opportunities for communications providers and content providers

The 'next generation' capabilities of fixed and mobile telecommunications are generating new opportunities for communications providers to increase revenue per subscriber and to increase 'stickiness'. At the same time, they are disrupting the traditional methods of delivering multimedia content and applications to consumers. This disruption is proving to be both a threat and an opportunity to content providers. As a threat, it is claimed to be destroying the music distribution sector, and it has started to worry the film and TV industry. As an opportunity, it has given rise to new ways for a content owner, organiser or distributor to interact with customers.

What are next generation capabilities?

Next generation capabilities include:

- The ability to deliver high quality sound, images, video and applications to end users over fixed and mobile broadband access.
- The availability of a common network platform, IP, that can be used as the basis for nearly all communications services.
- The ability to create a personal relationship between a service and a customer, taking account of such characteristics as customer preferences, customer location and devices used.
- The ability to deliver a service anywhere and at anytime over a combination of fixed and mobile networks.

These new capabilities are becoming possible on both fixed and mobile networks through broadband access, 3G, WiMAX and other 4G technologies, and through the introduction of the IP Multimedia Subsystem (IMS) as a common platform for developing services and convergence.

What does this mean for communications providers?

Revenues from traditional services are declining through competition in traditional services where there is little possibility of differentiation. Communications providers that

are ahead of the game can exploit NGN platforms to:

- Introduce multimedia content and entertainment services and web services
- Improve their access proposition through convergence between broadband fixed and broadband mobile access

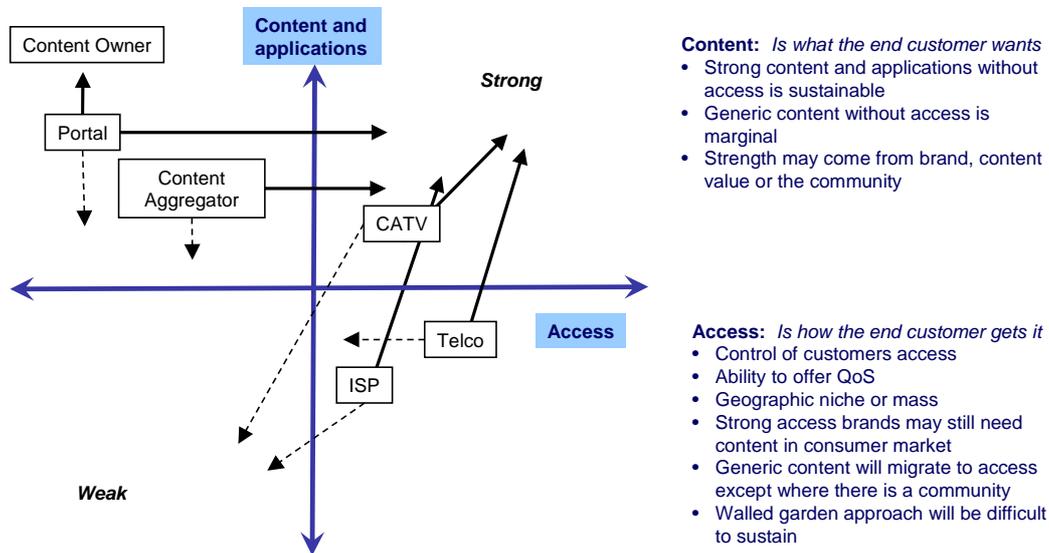
These services differentiate the lead communications providers from competitors that are still providing vanilla flavour services leading potentially to new revenue streams to offset and improve on the reduced revenues from traditional services.

Key amongst this new breed of communications providers are CATV operators who will continue to drive the performance of their broadband access and seek new content opportunities to keep ahead of the competition from other communications providers, incumbent operators that own the access network and local loop unbundling ISPs.

Content owners, aggregators and portal owners will need to react to communications provider repositioning, to avoid a relative weakening in their position. They can also exploit the new opportunities that arise from the rapidly improving telecommunications infrastructure to deliver new exciting ways of reaching their customer base either as individual programme makers, TV channels or TV network owners. This is leading to a repositioning of TV network owners as telecommunications providers.

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The winning strategies in this new environment are shown in the diagram below where intentions are shown by dark arrows and consequences of inaction by dotted arrows.



What does this mean for content providers?

Content and applications are important as they have never been before, but in areas where content is not a sufficient differentiator, access is also important. Independent content and application providers with compelling content will be able to coexist with content plays from vertically integrated operators. Compelling content will include content where the content provider is in a unique position to provide it. Uniqueness may arise because of brand, digital rights or because of intrinsic qualities of the content, particularly when it is generated in a social network which extends beyond the reach of any individual communications provider.

Content owners with niche content and applications will have less power than those with truly mass market reach. Nevertheless they rely for their success on access to any and all subscribers irrespective of the communications provider offering access. Their lack of power may mean that communications providers limit access to their services. This group of content providers may need to band together or use the services of a brand with power over communications providers to generate services. They may ultimately have to pay for this access.

The strength of communications providers in comparison with content providers will depend on the number of communications providers that ultimately provide access. The degree of consolidation in markets where broadband provision and mobile services are maturing suggests that ultimately there will be only a small number of large communications providers who will then have significant market power in access. In some countries this oligopoly on service provision may be national. In others, such as the USA, it may be regional. Nevertheless, communications providers in every market have opportunities to change their business model and generate new revenue streams by focusing on high value content and applications in unregulated markets.