

Cooperative service provisioning with OTT players – An explorative analysis of telecommunication business models

Felix Limbach (Technical University Berlin)

25th European Regional Conference of the ITS
Brussels, Belgium

Agenda

1

Motivation

2

Research question and methodology

3

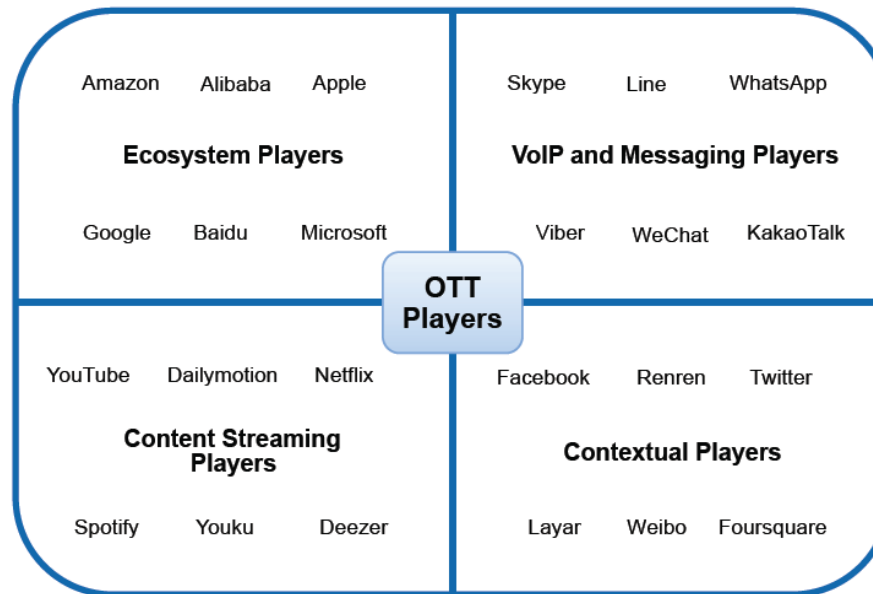
Results

4

Conclusion and Outlook

OTT player impact on the telecommunication business varies depending on core offerings & key characteristics

Over-the-top (OTT) players provide their services to internet users primarily without direct control of telecommunication companies.



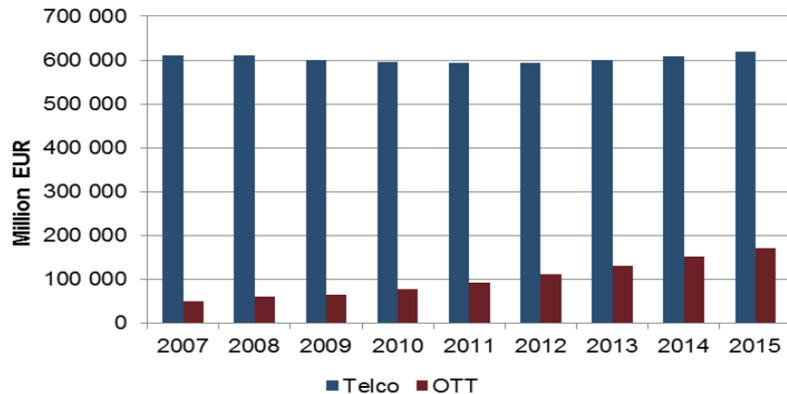
OTT = over-the-top; VoIP = voice over IP
Source: Gartner (February 2013)



OTT player impact on the telecommunication business varies depending on the key characteristics and core offerings.

Convergence of OTT player and operator services requires operators to adopt new strategies

Comparison of telco and OTT total market

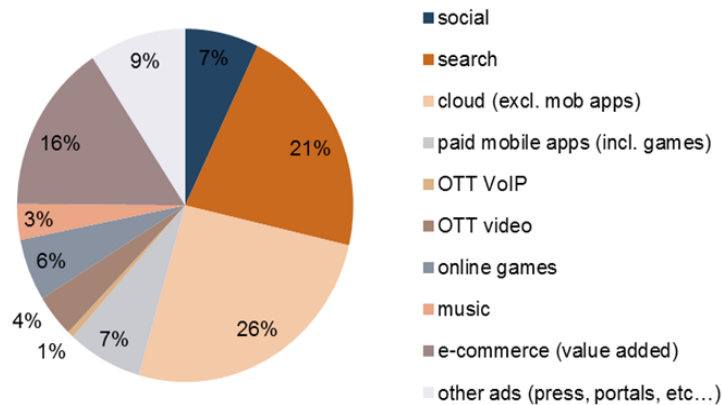


(US + EU27 + Japan)

Source: IDATE

- Aggregated telecommunication operator revenues for the US + EU27 + Japan exhibit a flat trend at about 6bn EUR
- OTT player revenues are continuously growing and are expected to reach 1.7 bn EUR in 2015

Breakdown of OTT service market, 2015



Source: IDATE

- Some operators have established divisions to enter the OTT service market
- OTT players provide cost efficient substitutes for traditional operator services
- Market convergence requires operators to adopt strategies for dealing with OTT players

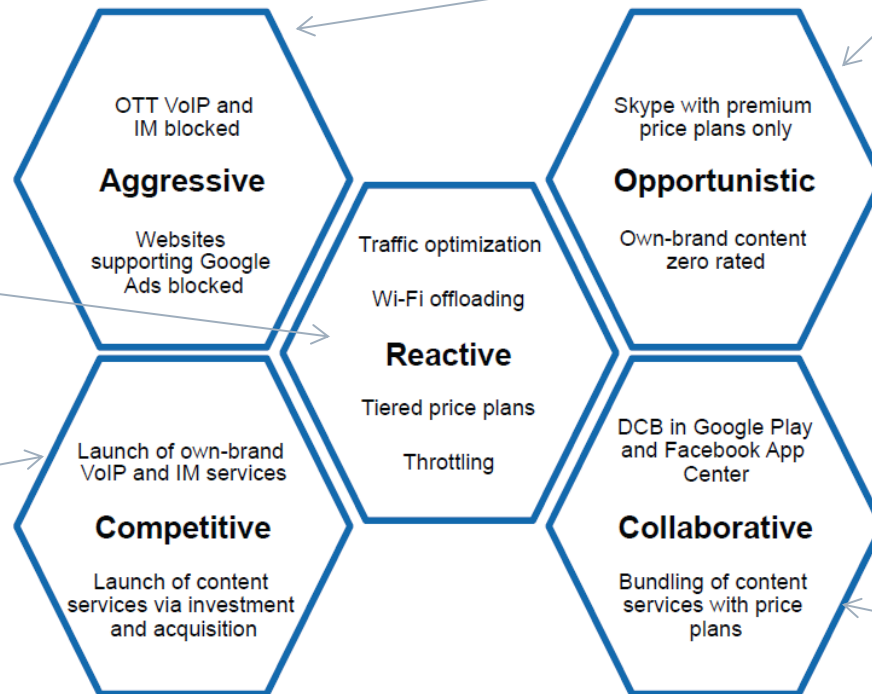
In dealing with OTT players operators are increasingly turning to collaborative approaches

Strategic operator options in dealing with OTT players

Reactive strategies delay the need for additional capital investment but do not increase revenues

Operators are struggling to provide services that can compete with leading OTT services

(Ulset, 2007; Grove & Baumann, 2012)



DCB = direct CSP billing; OTT = over-the-top; VoIP = voice over Internet Protocol
Source: Gartner (February 2013)

Strategies are anecdotal, as they are very likely to have a negative impact on the operator's reputation

Krämer et al. (2013)

Collaborative approaches are moving in the focus of practitioners and scientists

Agenda

1

Motivation

2

Research question and methodology

3

Results

4

Conclusion and Outlook

This contribution aims to provide a holistic view on cooperative OTT player and operator cooperation

Previous research on OTT player and telecommunication operator cooperation has been anecdotal or focused on case study assessments.

This paper aims to provide a more holistic view on cooperative service provisioning and its impact on the business model of telecommunication operators



Research questions

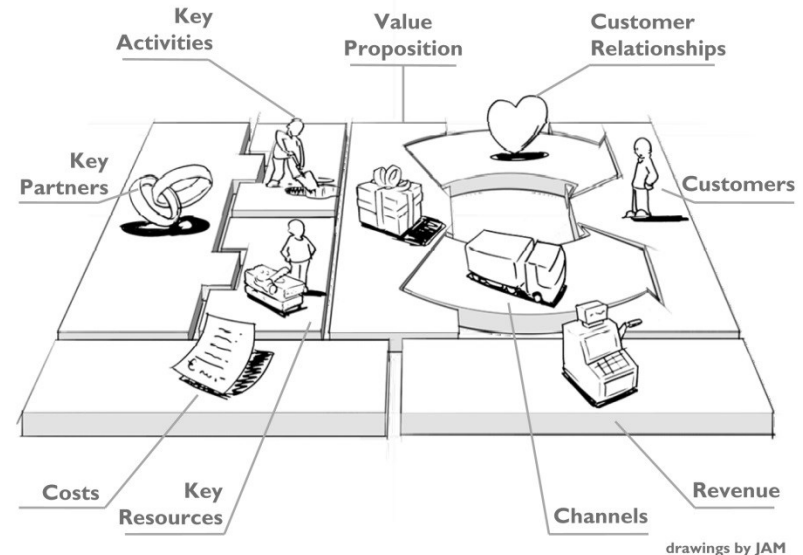
1. Which types of cooperation can be observed between OTT players and telecommunication operators?
2. To what extent do cooperative value creation patterns contribute to novel customer value propositions?
3. How does cooperative service providing impact the operator's contact with customers and its financial situation?

Research questions are addressed with the Osterwalder business model ontology

Methodology

- An intensive literature and internet analysis is conducted in order to identify examples for cooperative service provisioning. (More than 100, operator- and OTT websites and expert internet blogs were assessed)
- The impact of OTT player and operator service cooperation is assessed with respect to patterns of cooperative value creation
- The impact on the customer interface and financial aspects of cooperative service provisioning is explored

Business Model Ontology



The Osterwalder business model ontology unites previous frameworks (cf. (Amit and Zott, 2001; Timmers, 1998; Venkatraman and Henderson, 1998; Wirtz, 2001) and provides a more holistic view of business model components and their interrelations

Agenda

1

Motivation

2

Research question and methodology

3

Results

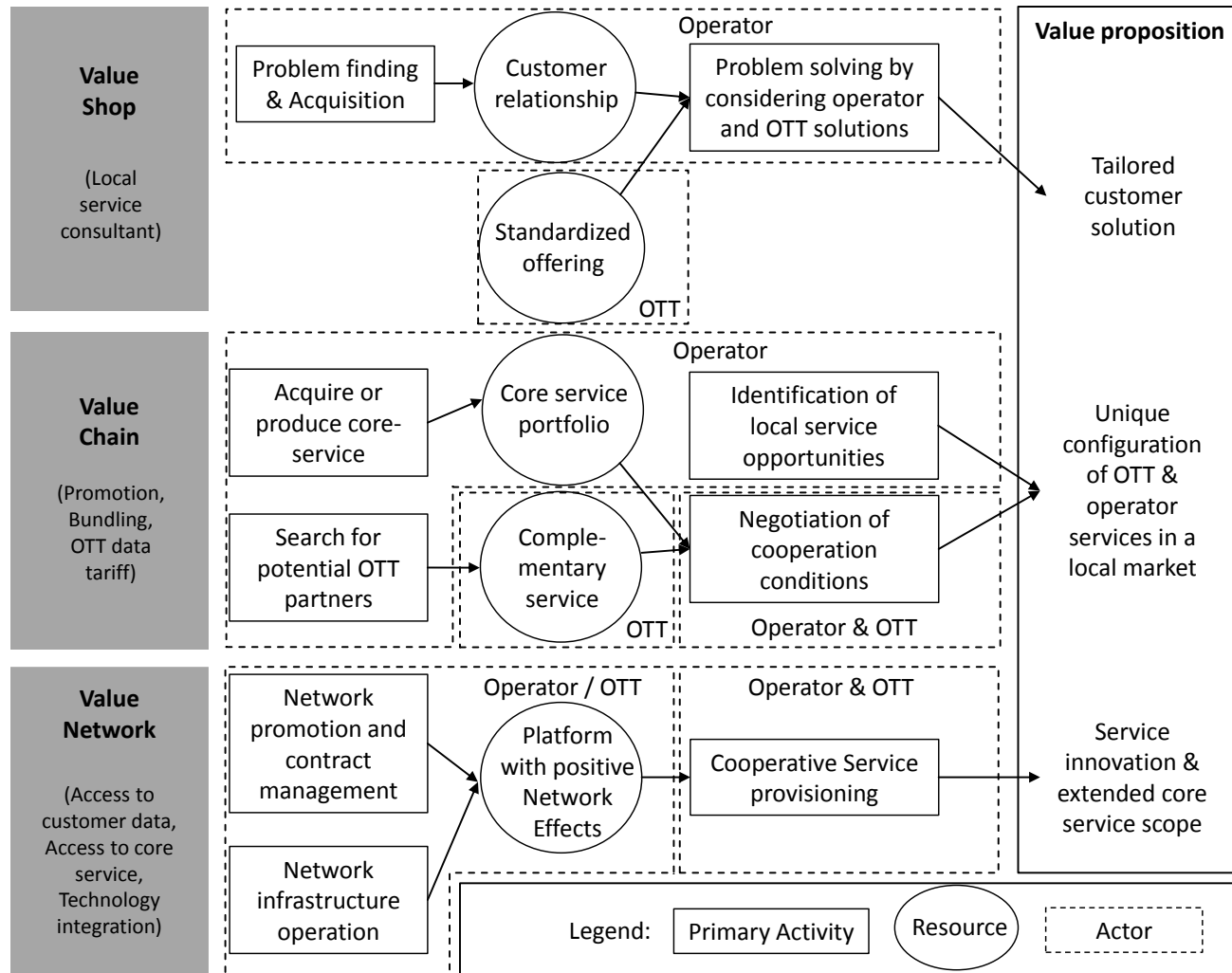
4

Conclusion and Outlook

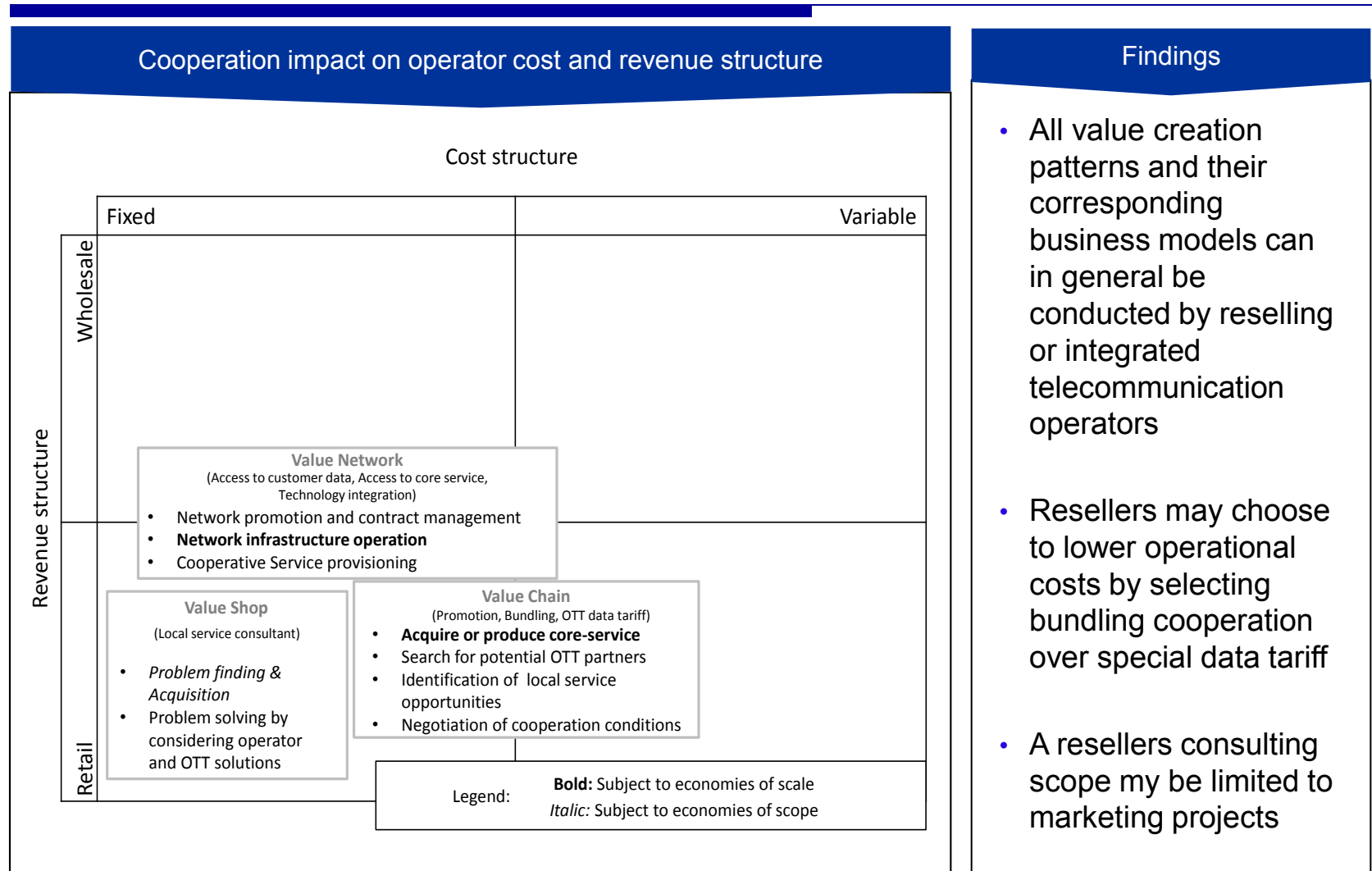
Based on an extensive literature review seven generic types of cooperation can be identified

Cooperation type	Key characteristic	Primary operator agreement benefit	Example
Promotion	Amplification of the customer's awareness for the benefits that can be derived from the OTT and operator service complementarities	Address special customer groups and faster reaction to market trends	Vodafone - Microsoft Xbox live
Bundling	Specially priced package of operator and OTT services	Creation of attractive service bundles for large customer groups	Telefonica - Napster
Special OTT data tariffs	Non-uniform pricing for OTT data-usage	Offer a unique data plan in a market dominated by commodity services	Deutsche Telekom - Spotify
Local service consultant	Operator incorporates complex OTT services in its product portfolio	Operator is perceived as a full-range supplier that offers integrated solutions	British Telekom - Google Adwords
Access to customer data	Volunteered, observed or inferred customer data is shared	Leverage existing customer data for new business opportunities	Orange - Deezer
Access to core services	Internal infrastructure capabilities are provided to partnering OTT players	Open internal capabilities to partners to generate additional wholesale revenues	AT&T - Google Play
Technology integration	Tight integration of technological assets to improve service quality and reach	Offer innovative services to benefit from first mover advantages and extend service availability	Sprint - Google

The identified cooperation types can be assigned to three patterns of cooperative value creation



Cooperative service provisioning is a source of new retail revenues for resellers and integrated operators



Agenda

1

Motivation

2

Research question and methodology

3

Results

4

Conclusion and Outlook

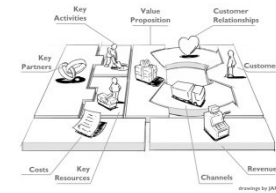
Cooperation enables operators to develop new customer value propositions and unlock further revenues sources


Research questions

1. Which types of cooperation can be observed between OTT players and telecommunication operators?
2. To what extent do cooperative value creation patterns contribute to novel customer value propositions?
3. How does cooperative service providing impact the operator's contact with customers and its financial situation?

Approach

Literature review on cooperative service provisioning
Cooperation impact assessment with the Osterwalder business model Ontology



- 
1. Seven types of cooperation between OTT players and telecommunication operators can be distinguished: *Promotion, Bundling, Special OTT tariffs, local service consultant, access to customer data, access to core services, technology integration.*
 2. Cooperation contributes to customer value propositions such as: *Tailored customer solution, unique configuration of OTT and operator services in a local market, service innovation and extended scope of core service.*
 3. Service cooperation contributes to additional retail revenues for operators.

The explorative analysis has evolved several questions for further research

Further research

- Does the general customer valuation of simple tariff structures and value propositions limit the number of cooperation agreements per operator?
- What is the impact of OTT player and operator size on the direction and shares of revenue streams?
- Do certain types of technology integration create competitive disadvantages for other market participants?

Thank you!

Any Questions?

Contact information

Felix Limbach
Technische Universität Berlin
Lehrstuhl für IuK-Management
felix.limbach@tu-berlin.de
Tel: +49 (0) 30 314 78710

