New services from third parties are attracting millions of users in a matter of days. Is it time for operator attitudes to these to thaw as they recognise the potential they have to add value to their own businesses, asks Scott Stonham?

Third party application uptake is accelerating and so is the operator opportunity

Scott Stonham: Operators can deploy cloud-based technologies that enable niche players to enter markets quickly

In terms of the time it has taken to reach 10 million users, it took Facebook 852 days, Twitter 780 days and Google+ 16 days*. Admittedly, some of that acceleration can be attributed to the fact Google+ launched this year — Facebook launched in 2004 and Twitter in 2006 — and users are more technology savvy than ever before, but it does illustrate the speed at which new propositions, if they find an audience, can take off. Arguably it took 41 years for the telephone to take off to a similar extent if you accept that telephone services began in 1877 in the US and ten million Bell System telephones were in operation in 1918. A more modern counterpoint is provided by the uptake curve of Research In Motion's Blackberry. Originally introduced under the Blackberry name in 1999, RIM announced it had exceeded ten million users on October 4, 2007. Eight years wasn't a long time then, but four years later it certainly is and operators have to be able to move their strategies at a suitable pace.

However, they've traditionally approached service development with the same rigour as network planning and rollout, delivering robust, yet over-engineered solutions that are too generic for most users. Users, as a consequence have turned to third party over the top (OTT) players to provide them with what they want, so it isn't just keeping up with the pace of new service rollout that operators need to concern themselves with, it's being able to innovate amidst that acceleration.

That necessitates some radical changes in the way that operators run their businesses. Their old practices won't work. Google, again, was not afraid to launch and trial Google Wave, it's social networking/instant messaging, collaborative tool that has been regarded a failure because of its complexity and inability to attract many millions of users. As one blogger put it: "A product sells because of features and usefulness. Though Wave had some amazing features, it wasn't very useful." That's borne out by the service being so complicated to use that technical expert Gina Trapani wrote a tutorial for Google Wave users. It was 195 pages long.

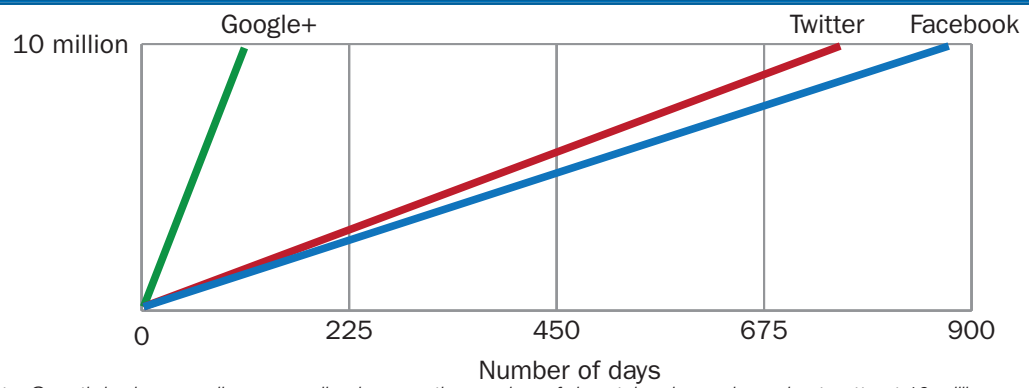
However, the Google Wave experience goes a long way in illustrating the distinction between traditional operator attitudes and the approach OTT providers take. Google was willing to take the risk of launching a service, with minimal marketing and minimal support and see how the market adopted it. The company didn't place all its bets on the service and the failure hasn't damaged Google's core business or its brand. Conversely, a far greater effort, made over a far longer term by mobile operator Vodafone, for example, with its Vodafone 360 environment not only failed but alienated existing subscribers. Vodafone spent several years developing 360 to be all things to all its users. Ultimately, it wasn't what the customers wanted but the development time had been spent and the mobile giant was left looking like it had no answers to the demands of its customers for new and exciting applications and services. They voted with their feet in droves buying services and content from other players.

Vodafone, as Google did with Wave, Google Voice, Google Apps and now Google+, could have piloted a smaller project and seen how it went but it took a traditional, operator approach and unilaterally provided its perception of a complete solution. The problem was very few users shared that perception and some of those that did found the service difficult to use. Google has not been afraid to shut and junk its admittedly rare public failures and hides away even more still-born ideas in the relative privacy of its labs.

Operators need to adopt similar approached to innovation and work to understand how emergence of new services has an impact on their networks, their users and their reputations. After all, if a third party can launch a service that attracts ten million users in 16 days, how can an operator prepare for that?

The changes that acceleration in scale entails means a shift in operator attitudes to MVNOs and Over the Top (OTT) providers is required. Instead of regarding them as competitive threats, operators should now embrace them as valued partners. Operators should provide MVNOs and OTT providers with tools to enable them to deliver better services because the route to customers is now through these providers. Operators certainly need to ensure they have the right cross-section of capabilities and technology to provide to such players if they are to avoid total disintermediation and relegation to the

TIME TAKEN FOR SERVICES TO ATTRACT 10 MILLION USERS



Note: Growth is shown as linear, equalised across the number of days taken by each service to attract 10 million users. Each service launched on a different date.

role of dump pipe providers. Such tools need to be open and flexible enough for OTT providers to use them and applicable to a range of applications and services. Massive network overheads mean operators must think mass-market but the world is becoming much more niche focused. Operators can deploy cloud-based technologies that enable such niche players to enter markets quickly with a range of core services and propositions that both maintain the operator role in the value chain and enable an appropriate cost of operations for the third party service provider to engage with. Initiatives such as Telefónica's BlueVia developer community, itself a development of UK operator O2's Litmus community, appear to be laying the ground for this type of approach offering free APIs and positioning themselves as incubators for niche players.

Simply put, operators don't have to do it all. They can select a portfolio of applications, services and tools that they can package up and offer to niche providers. That type of package might include standard enterprise applications such as email, voicemail, HD Voice and numbering services in addition to connectivity. The role of the niche service provider then becomes sector specific and confined to delivering value by assembling a range of routine applications and services, bundling them with connectivity and adding on specific applications targeted to each demographic. The operator could have a substantial and profitable role to play here. It's able to monetise its network by selling capacity, it's able to sell non-sector-specific value-added services, it can make use of its back office investments by selling billing and CRM support to third party providers and selling is service monitoring management capabilities. This is not a disintermediated, dumb pipe business, although many of the services in such an operator stack are commoditised. The value lies in operators' ability to deliver these services cost effectively at great scale and in providing third parties with efficient, easy-to-deploy means of providing the basic services. That is enhanced if operators provide an easy framework by which MVNOs and OTT providers can brand services and bundle them with niche-specific expertise. An example of a solution tailored to that approach is UC Centrex from CommuniGate Systems. The solution is specifically designed to enable service providers to competitively deliver a range of fully customisable communication services to partners and application developers in a multi-tenant, cloud environment.

And there are lots of niches for the OTT players and operators themselves to address and bring a range of attractive services to users. Among these are services such as operators providing one number for a range of mobile and fixed services to users. Solutions such as CommuniGate Systems' 1Number have been available to enable operators to address demand for some time. One example powered by CommuniGate Systems' technology is the new provider 1toGo. Originating from South Africa and moving into Europe to support operators, resellers and end-users across Africa and elsewhere, 1toGo provides cloud-based communications and collaboration services that enable operators, MVNOs and ISPs to regain control of their clients and generate VAS revenue on their own account by offering their clients a unique experience and value proposition.

Internet savvy users such as the small office/home office market, people temporarily out of their home country such as students studying at overseas universities and expatriates will be able to use 1toGo's easy to use services. These include an HD voice second telephone number that can be used anywhere in the world where the client has an internet connection, a single email address and mailbox into which messages from all their other email addresses — and voicemails, faxes and SMSs — can be consolidated and a single file storage space in the cloud for storing information and sharing it with friends and colleagues. Clients will be able to access these services wherever they are, on the desktop, via a web browser or on their iPhone or Android devices.

The 1toGo website (www.1togo.net) — or the websites of its resellers — will provide potential customers with information about the services offered and, in the event of a customer wishing to subscribe to a service, will automatically perform the financial transactions and provision the services.

Such offerings support the notion that operators don't need to own the whole market to make a profitable and effective business from the lion's share of the market. Operators should continue to address the mass-market, and leave the niches to the those most well equipped to deliver to them, like MVNOs and OTT providers. However, by providing appropriate tools and services, the operators can benefit greatly from enabling these providers, thereby reaching both the mass-market and the niche markets. ■

*During the time it took to prepare this article, user growth at Google+ more than doubled to 25 million.