

WHITE PAPER



Solutions for the Broadband User Enigma

Consolidating Subscriptions through Unprecedented Business Intelligence

Removing the Mystery from Broadband Users

Operators are discovering that their mobile broadband customer base is complex. Many different people use broadband access for many different purposes. In addition, the same people may subscribe to several different access networks in order to use a range of communication services. For example, a mobile broadband customer may typically also have a GSM subscription, a DSL subscription and periodically connect to nomadic broadband access points, such as WiFi hotspots.

On the whole then, mobile operators know relatively little about the jigsaw of voice, messaging and media services that their broadband customers use across multiple different communications networks.

Vennetix believes that in order to increase the value of the broadband business, mobile operators need to understand their customers better. For example, many operators will be unaware which of their mobile broadband users also subscribe to their GSM service and which use a competitive GSM service provider.

The Vennetix products provide innovative new features for end users that not only make mobile broadband products more compelling but will also incentivize users to engage with their mobile service provider on all aspects of their digital life. Consequently, Vennetix can deliver a sizable and measurable improvement in broadband business value.

“Less than 40% of consumers in the big five European markets (UK, Germany, France, Italy and Spain) were likely to keep all their mobile connections with one operator.”

Joss Gillet - Senior Analyst, Wireless Intelligence



Broadband Market Challenges

As the success of mobile broadband continues unabated, service offerings are inevitably becoming commoditized. Penetration of all broadband products continues to increase, but competing largely on price alone with 'access-only' services is putting pressure on margins. As such, there is now acute demand for mechanisms not only to differentiate in order to drive acquisitions, but also to protect and increase AMPU. This is a particular challenge in the broadband space, where flat rate pricing dominates.

Churn is another especially pertinent concern for mobile broadband product managers, who see a much higher incidence of their customers moving between service provider than GSM users. There are clear reasons for this. Firstly, HSPA coverage is not as comprehensive as GSM subscribers have become used to, either due to black

spots or to areas that experience high usage and therefore limited connection speeds. Secondly, more rapidly evolving tariff plans in the mobile broadband market also contribute to higher levels of churn. As such, users select a mobile broadband service provider for different reasons than they select other communication networks.

For example, while a mobile broadband service may be chosen for the network quality in a specific geographic location, a GSM service may be selected for a particular handset that is available on that network and a DSL service may be selected for some specific content, such as IPTV services. It is not difficult to see then how the set of service subscriptions that a user may adopt can become quite fragmented, to include relationships with several different service providers.

“Mobile Broadband presents a huge land grab, both now and for several years to come for Mobile Operators. It’s critical operators understand what factors are driving demand.”

John Delany -
IDC’s European
Director Consumer
Research



Addressing Broadband Service Value

"Consumers are demonstrating their desire for both wired and wireless access to content: an average of 81 percent of consumers surveyed globally indicated they've watched or want to watch PC video and an average of 42 percent indicated they've watched or want to watch mobile video."

IBM Global
Business Services

It is a daunting challenge to increase business value among a complex set of voice, messaging and media services, across such a fragmented set of network subscriptions. Some initial attempts have focussed on bringing popular Internet services like Skype or Facebook to mobile users. However, this can be of limited benefit as many Internet services are popular because they are free. In addition, a reliance on Internet based applications also looks like storing up strategic problems for the future, by promoting over-the-top services today.

The enigma that is the broadband user remains then. Increasingly, the center of gravity for their digital life is migrating from the mobile phone to the laptop. While mobile operators are still relevant within this growing trend in terms of providing mobile broadband dongles and Netbooks, it is not obvious how to increase the value of the broadband business among the many free Internet communications services that enjoy the

benefits of the network effect. In order to add real and tangible benefits for end users in this environment, new services must have very obvious cost savings or very significant added value. However, making investments in impressing users with advanced new services, while constantly reducing prices, does not appear to make for a straightforward mechanism to increase AMPU.

Vennetix believes that increasing the value of the broadband business can be achieved by building a new kind of relationship with end users. It is a relationship that provides powerful incentives for users to engage with their service provider in a meaningful way, by offering them innovative new technology. This willing engagement by customers towards their mobile broadband provider, rather than network operators simply pushing more bundles towards the market, which will drive significant growth in acquisitions and margins for mobile operators.



A new kind of customer relationship

The traditional relationship between a mobile operator and their subscribers has been largely focussed around voice minutes. Tariffs were defined based on the location of the called and calling parties and a per second multiple was applied. While voice services still generate the cash cow portions of operator revenues, this kind of relationship has changed substantially.

“Vennetics enables mobile operators to provide a new and compelling broadband based service that creates a long term interactive relationship with their customers.”

John Barron -
Marketing Director
Vennetics

Flat rate subscriptions are now commonplace, even among the pre paid segments where minimum monthly top ups typically earn large bundles of minutes and messages. Perhaps an unintended consequence of this though, has been the reduced sensitivity to voice revenue dilution. That is, whether due to flat rate bundles, friends and family plans or free on net calls for enterprise users, an increasing portion of revenue comes from service subscriptions as compared to tariffs applied to voice minutes. Consequently, as the number of Skype minutes per month continues to increase exponentially, mobile operator voice revenues are to a large degree insulated from dilution.

Vennetics believes that the characteristics of subscription based charging plans, presents an opportunity for mobile operators in terms of the value that they can provide to laptop based users. This can be illustrated by considering just one example feature of the Vennetics products. Specifically, a mobile broadband user making a VoIP call from their laptop can be provided with a feature to seamlessly move the call to their mobile handset, if for example they experience quality problems.



That is, there may be no remedy for a pure Internet based VoIP service that suffers from jitter, whereas a mobile operator service can allow the user to fail over to a dedicated voice network on their mobile phone, without interrupting the call.

The mobile operator is clearly providing valuable service logic in this case and may also chose to compliment such differentiating features with tangible cost savings, by bundling some VoIP minutes with the mobile broadband subscription.

However, while the service is very compelling for end users, mobile operators can also derive significant benefit. In order for the service to work, users must provide their mobile phone number (along with their age and gender) and also accept some terms and conditions allowing the mobile phone operator to realize business value from the service usage data. In this way, users can be incentivized to willingly provide valuable business intelligence, in return for distinctive new services.

Build on an Improved Understanding

Once an operator has a customer base of mobile broadband users, who volunteer both service usage data along with permission to leverage it, the benefits of this business intelligence become clear. For example, a typical mobile broadband user will also subscribe to a GSM service, a DSL service and will periodically use WiFi hotspots. Crucially though, it is highly likely that more than one of these additional subscriptions will be with competitive service providers and winning these connections will be much more valuable business than some additional voice minutes.

Initially, this can be achieved through exclusive features. For example, SMS over mobile broadband usage is limited because the CLI of the message is that of the SIM card in the dongle, which will not be recognized by recipients. The Vennetix products allow the CLI to be restored to that of the user's GSM number, but only if their GSM service is provided by the same network as the mobile broadband service.

More significantly though, the business intelligence features within the Vennetix products will also allow the correct promotions, special offers and other advertising to be targeted at exactly the users that will be most likely to respond to them. In this manner, the greatest possible number of acquisitions can be generated. For example, users who view specific categories of media can be offered DSL subscriptions with more extensive IPTV content from the same genre. Users who roam frequently can be offered WiFi subscriptions to access foreign hotspots for less expensive Internet access. Users who frequently call for example mobile numbers or international numbers can be offered appropriate new GSM tariffs.

However, the capabilities of the Vennetix products are not limited to this kind of simple Heuristic campaign. In addition, the system can also manage the much more sophisticated Bayesian campaigns that have already proven so effective in the online advertising space. That is, it may not always be obvious which users will respond best to which

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Monetizing the Mutual Value Add

The Vennetics products have been designed to increase the value of the broadband business for mobile operators. Business intelligence systems achieve this not by attempting to monetize Internet-style services, which are popular precisely because they are free.

“Online advertising, which includes display, search, video, and other categories, is expected to tally \$26.1 billion in 2010. If those forecast figures are reached, they will account for a 2.7 percent growth in 2010.”

Jack Myers Media
Business Report

Rather, valuable and innovative new services can be offered to broadband users, which involve those users volunteering the details of their identity, service usage and network access, in the knowledge that this data will be used to serve them with information on special offers, promotions and other advertisements. This represents a new kind of relationship between a broadband user and their service provider, which can be monetized in the terms that are most valuable for mobile operators ... new customer acquisitions.

Specifically, the Vennetics systems will allow mobile broadband product managers to report on not just the number of net acquisitions per month but also on the number of additional GSM, DSL and WiFi subscriptions that have been acquired through the mobile broadband user base.

Furthermore, by associating mobile broadband subscriptions with GSM subscriptions, mobile broadband churn can be reduced to at worst GSM churn levels and mobile broadband acquisitions can also be increased through service differentiation. In addition, the same technology can also be used to sell advertising to third parties, where the user profiling provided by the Vennetics products attract a significant premium in advertising prices. This is key as the value of the online advertising business grows exponentially.



Conclusion

Vennetics believes that significant additional value can be generated by mobile operators from their broadband users, through consolidating fragmented subscriptions.

This is unlikely to be achievable simply by offering an ever increasing number of complex residential or enterprise convergent bundles to the market, since different users select different network access products for different reasons.

Rather, Vennetics believes that a new customer relationship must be created, whereby users will volunteer full details of their communication services and network access usage in return for valuable new applications.

This business intelligence can then be used by mobile operators, along with technologies that have a proven track record of success in targeted online advertising, in order to drive acquisitions and reduce churn across a number of access network subscriptions.

"The purpose of marketing is to know and understand the customer so well, that the product fits him and sells itself."

Peter F. Drucker



Vennetics is committed to changing the mobile broadband market by enabling Operators differentiate and enhance their mobile broadband proposition.

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