

Operators are finally waking up to the threat mVoIP poses to their businesses but the good news, says Scott Stonham, is that it's not too late for them to participate and keep their users on their networks, buying revenue generating services from their brands.

mVoIP can bring opportunity from adversity for operators

Scott Stonham: If operators provide mVoIP it is likely that users will stay within the their network.



Until recently mobile voice over IP, or mVoIP, hasn't been recognised by mobile operators as the substantial threat to their profitability that it presents. That's partly because operators thought they would simply be able to block such traffic and they took a view that VoIP services would be too clunky to use and offer too low a voice quality to be attractive to mobile users.

They were wrong. Regulation in many markets has meant that the option to block mVoIP is often illegal and the increasing familiarity of users with VoIP in the fixed environment with services like Skype, Google Voice and Jajah has bred interest in using such services in the mobile arena. That interest has been compounded by operators continuing to exploit the cash-cow of mobile voice roaming which, even now regulated in Europe, is still perceived as disproportionately expensive by users. That perception has made them willing to try mVoIP and consequently take not only their voice minutes but their content and applications spending power away from operators to web companies and over-the-top service providers.

It could be argued that operators' stubborn adherence to generating substantial revenues from mobile roaming has been the cause of users going off-net in search of a better deal. The operators face the

real danger of losing the customer's most profitable expenditure if they don't engage with providing mVoIP services. If they at least provide the option of using mVoIP it is likely that users will stay within the operator's network and purchase apps and content from the operator. Consumers would, in many cases, prefer to take an operator service if it was competitive and easy to find and use. Consumers don't like building new relationships and handing credit card details to new companies especially when they're dealing with unfamiliar brands while on the move. The key for operators is to make their mVoIP propositions easy to understand, simple to use and cost effective for the user. At the business end of the market, users will willingly pay for mVoIP because the carrier can offer more reliability, security and peace of mind than other companies thanks to its recognized brand, the billing relationship it already has and the trust it has built up in the market over many years. If they don't offer mVoIP, they will not only miss out on voice revenues as users migrate to other providers that offer mVoIP but also they will have to bear the cost of the network while others make money running services over it.

The scale and immediacy of the problem facing operators is immense. Recent research by Analyst firm, AnalysysMason, commissioned by network

“From these statistics it is clear that mVoIP is no longer a niche threat and operators need to be addressing the issue now if they are to avoid the end of profitability and the loss of control over their users’ voice activity, but what approaches can they take?”

equipment vendor Tellabs, has modeled at what point mobile operators will reach ‘the end of profitability’. The research describes this across a range of 3G operators as the point at which the revenue generated per gigabit of data consumed falls behind the cost to the operator of delivering it. Significantly, although it should be noted the research is based on modeled rather than actual operators, it concludes that operators in the US, western Europe and Asia Pacific will all have reached the end of profitability by the end of 2015. Some operators, if they don’t change their strategies will reach that point even sooner.

When it comes to mVoIP specifically, analysts have scoped the scale of the threat in pure dollars. Analyst firm, In-Stat reports that mVoIP apps will generate revenues of \$32.2bn per year by 2013. Critically, those aren’t necessarily, or even typically, mVoIP apps provided by operators. The firm also says that there will be more than 278 million registered users of such apps in the same year. In-Stat also details the diminished revenues operators will achieve from providing the connectivity to support such apps. Using mVoIP a user could talk for 22,222 minutes before exceeding a 5 gigabyte/\$30 mobile data cap – there are only about 43,000 minutes in a month.

That presents not just lost revenues for operators but also increased costs. Analyst firm, Juniper Research, has stated that it expects supporting mVoIP over wifi to cost operators \$5bn by 2015 and the number of mVoIP minutes carried annually on 3G and 4G networks will rise from 15bn last year to 470.6bn in 2015.

From these statistics it is clear that mVoIP is no longer a niche threat and operators need to be addressing the issue now if they are to avoid the end of profitability and the loss of control over their users’ voice activity, but what approaches can they take?

A sensible first step is for operators to recognise what they are good at and what they already offer. After all, operators provide the networks that underpin such perceived to be free services as Skype and they also underestimate the power of their own brands. It is vitally important that operators start to communicate their strengths and fight back against the notion that they are competing with a charged for service against something that is free. Speaking at CommuniGate Systems’ Executive Summit in Bodrum, Turkey, towards the end of last year, Cengiz Öztelcan, the director of international investments and business development at Türk Telekom, commented that: “Brand is what the customer recognises first.” That gives customers “a sense of reliability”, he noted. “If you satisfy the customers’ needs and they associate that with your brand, that’s the ultimate goal.”

Öztelcan added that VoIP is going to be an essential part of the offering of every operator in the market. “The new technologies such as VoIP and high definition voice are going to be the key differentiators,” he said. “Mobile VoIP has been growing at an exponential rate and it will continue to grow.” Any operator that wants to continue in the market needs to be able to offer an affordable service, he concluded.

The recognition that the way to compete is to not be too precious about preserving the current status but instead to be confident about their brands is set to be the surest form of attack for operators against the OTT and mVoIP threat. By offering more to their users than the ‘free’ web-based players can, operator can reinforce the value of their services and brand to their users. For many users, the relationship exists already between them and their carrier and, if greater quality and range of services can be provided, they will prefer to take their services from a single brand, with a single bill.

Operators around the world are starting to embrace this approach and recognize the need to act quickly. In just three years the first mobile operators will be reaching the end of profitability so there isn’t time for the usual telecoms industry period of research, development, provisioning and prevarication. Operators need to bring these services to market rapidly so they can demonstrate to users that real alternative to Skype exists and they can re-educate users to staying on-net for apps and content.

CommuniGate Systems itself has recently announced a new partnership with GO Telecom, the first Middle Eastern cloud telecom operator, which is a brand of Etihad Atheeb Telecom, to offer the first digital voice communications service to the Saudi market. Called GO Terhal, the proposition enables subscribers to access their files, and make free and low cost phone calls in super-clear HD Voice from any web-enabled computer. Available for both business and consumer subscribers, the technology enables VoIP and video, mVoIP, social network integration, including Twitter and Facebook, hosted IP-PBX, HD conference calling, instant messaging and presence, email, address books, calendaring, collaboration, mobile synchronisation and personal file storage.

Although provision of mVoIP isn’t going to provide a massive component of operators’ future revenues, In-Stat estimates that spending on mVoIP will rise to \$6bn in 2016, and it isn’t any form of answer to the declining voice revenue challenge operators face, it does keep operators in the consumer game. More significantly, providing services like mVoIP will attract business users and that market is where the real money lies for operators. Participating in mVoIP also enables them to continue the trusted relationship they have between their brand and their customer and provides protection to their business against the onslaught of the over the top providers. In the coming years, applications and services such as HD voice, unified communications, cloud propositions, collaboration tools and a vast array of content will provide operators with revenue. Holding on to their voice customers now, even to the detriment of the revenues that remain to be gained from voice roaming, keeps them in position to tap into those markets. Losing the voice relationship now threatens that future. ■