

Innovating in a \$5 Economy

In the recent months there has been a quite a lot of buzz around web sites offering services for a fiver; notably fiverr.com and fivesquids.co.uk. However, this shift to focusing on low value transactions is not isolated to just consumer or peer-to-peer offers.



This article looks at a shift in the global telecoms marketplace that is enabling the development and deployment of innovative telecom services, against a backdrop of decreasing monthly revenues. Scott Stonham from CommuniGate Systems looks at a shift in the global telecoms marketplace that is enabling the development and deployment of innovative telecom services, against a backdrop of decreasing monthly revenues.

VAS in Low ARPU Environments

With Western Europe being the historical leaders in mobile innovation and the USA today demonstrating a fresh leadership in mobile applications and services, it is reasonable to conclude carriers in these regions are spending significant R&D money on the next generation of mobile innovation, and to look to them for inspiration.

Yet there are a number of factors here that complicate the issue of innovation for traditional mobile and fixed line operators. There is increasing competition from over-the-top applications, like Facebook, Skype, and the millions of applications in the app stores of Apple and Android. Carriers are finding it much more difficult to both continue to develop and roll out costly network technologies and capacities whilst simultaneously running speculative, user-driven innovation programs. In this environment, having become increasingly detached from consumer needs many carriers are prioritising the efforts on extracting as much value from their core network service competencies as they can.

Additionally, their legacy of growth out of Western Europe



and the USA has resulted in a skewed view of revenues and margins. At the end of 2011 typical ARPUs in Europe were declining rapidly, causing anxiety across the entire ecosystem. Although still declining, ARPUs were still averaging between twenty and twenty-five Euros.¹

Compare this to regions where ARPUs of just five Euros are commonplace. In these countries carriers are still able to operate their networks and bring new services

¹ <http://www.businesswire.com/news/home/20120419006548/en/Research-Markets-Mobile-Network-Operators-Trends-Europe>

to market, as can be seen with the innovations in the areas of mobile banking, dynamic tariffs and virtual SIM that are coming out of Africa.²

To innovate in these low-margin conditions, carriers need to minimise risk and exposure, keeping costs low, but maximising the chance of success. Carriers can do this by having rapid development and test cycles with effective feedback loops between customers and those responsible for the product development.

One of the ways carriers are becoming agile and responsive to the market is by favouring technology partnerships, versus building internally, or spending huge amounts of time with technologies and vendors that are not agile or ready to deploy. Often the Western carriers get sucked into multi-year long projects or PoC's (proof of concepts) with technologies that are simply not ready, or are overkill, only to find out in the end that it doesn't do what the consumer wants, resulting in disappointing results, or worse catastrophic lack of adoption.

Innovation Export

Carriers and solution providers of the Western markets have been guilty of assuming that the technologies and services which have been developed in Europe or USA translate into commercially viable propositions for the market conditions of the developing nations.

Many have talked, and continue to talk about exporting ideas and technologies to the developing economies, seeing them as green-field opportunities with massive growth potential. In real-world practice, most find that this is not the case. Not only are cost and pricing models vastly different, but also attitudes toward innovation and telecoms services are at odds. Knowing the customer and market is crucial to success.

"Africa is rich in innovation, especially when it involves mobile services targeted at the under-served segment of the social community."

Carlyle Fernandez of
Nokia-Siemens Networks.

In the New Digital Economy report, PricewaterhouseCoopers predicts what it calls "the reverse of the digital divide"³ as developing economies that are more embracing of digital technologies are beginning to take a leading role in the development of digital technologies themselves rather than importing. Maybe we are witnessing the beginning of an innovation export reversal? With today's European

and American carriers needing to get better at squeezing every cent and dime of profit out of decreasing margins, will we see them turn to carriers in developing economies for inspiration and efficiency?

Innovation Partnerships

CommuniGate Systems partners with carriers, network operators and service providers across the world to deliver innovative communication services. In fact most of the company's growth in the last five years is based upon projects in countries throughout Africa, Middle East, Europe and South America.

With the only single-source Unified Communications solution for Centrex services on the market, we are able to work with our partners to develop cost-effective products and services that scale easily and meet the subscribers needs both in terms of functionality and affordability.

Our partnering and consultative approach enables us to take our experience and the lessons we learned in one part of the world and reapply them to others, helping our partners deliver services quicker and more successfully to their market needs. To find out how we could help you deliver innovation at a fraction of the cost, call today on +49 30 2589 5018 or email us at sales@communigate.com.

² http://www.mobilemonday.net/reports/MobileAfrica_2012.pdf

³ <http://themedianline.co.za/2012/02/emerging-markets-leaping-across-the-digital-divide/>