

# Platform Business Models from Telco Perspectives

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# Platforms

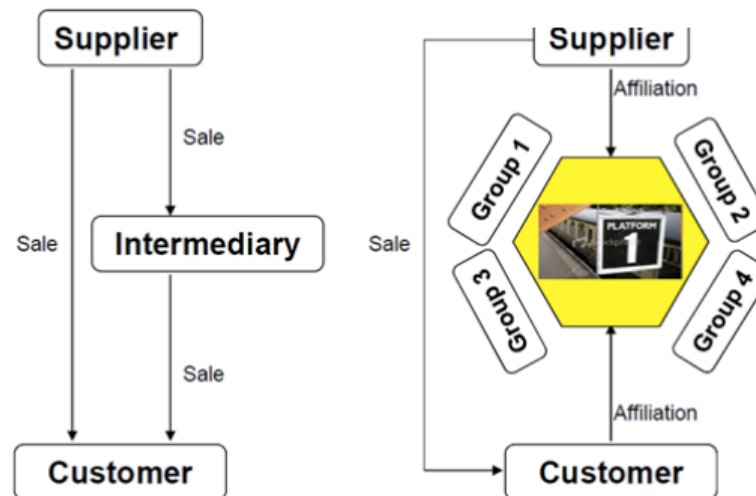
- (Multi-sided) platforms bring together two or more distinct but interdependent groups of customers.
  - Platforms create value by facilitating and governing interactions & matching between the two different groups.
- With computing power and internet connection available on everybody's finger tips, platform-based business models emerged as an incredibly powerful and efficient tool for new product development and upgrade on a continuing basis in an increasing number of industries,
  - to the point where traditional business models (often described as 'pipe' models where values are created in a linear, one-way direction) become obsolete.
  - "Software Is Eating The World." (Marc Andreessen, WSJ, 2011.8.20)

# Pipe vs. Platform

Hotels



AirBnB



# OTTs on a collision course with telcos

- The proliferation of 'free' messaging apps has virtually killed the SMS revenue telcos used to enjoy.
- The freemium business model of Skype (providing free computer to computer calling and selling premium products in the form of voicemail, conference calls and world wide connection to landlines and mobile phones) made it become the world's largest international phone carrier, making up one-third of all international phone traffic,
- Facebook introduced an on-platform calling feature for its now 800 million global WhatsApp user base. Facebook Messenger, with 600 million monthly active users, added free video calling via its Messenger VoIP app in the US, Canada, UK and 15 other countries.
- Google is launching a trial with a free wi-fi plus cellular mobile virtual network operator (MVNO) offering in the US. Google envisions a bigger play globally in which wi-fi could become the primary access mechanism with licensed cellular networks as secondary backups. <http://istart.co.nz/nz-news-items/google-and-facebook-on-collision-course-with-telcos/>

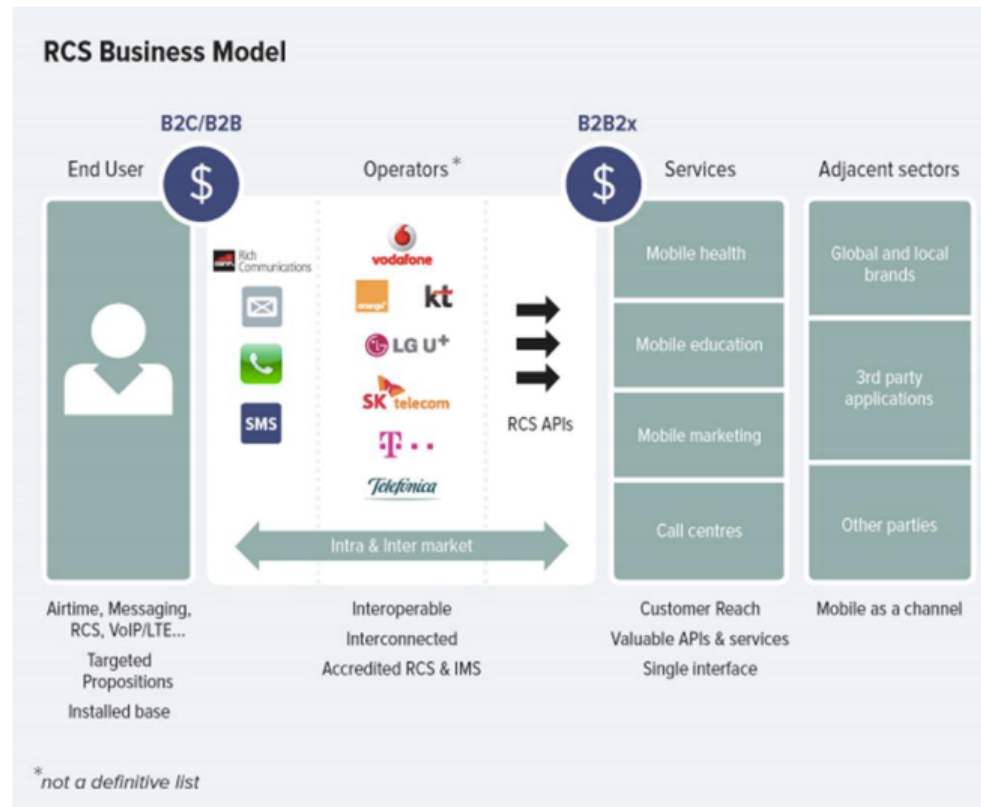
# Telcos' defensive responses

- Blocking, slowing traffic to and from OTTs (VoIP, streaming video)
- Reform interconnection regime for paid peering (data termination charges) to give price signals to sending (uploading) parties [European telcos, Korean regulator]
- Reform retail pricing structures to align price with cost and consumption patterns: data cap, tiered data plans with unlimited voice and texts
- Calling for regulatory level playing field: OTTs are exempt from obligations (technical, economic, social) usually imposed on telcos when providing communication services

# Telcos' push for platform models to go beyond connectivity

- Telco 2.0: Leveraging telcos' unique assets and capabilities (customer profile, billing, network QoS, customer care) to create new values on the side of the platform in ways that interaction between both sides is facilitated.
- RCS platform (GSMA): Enables the delivery of communication experiences beyond voice and SMS, providing consumers with instant messaging or chat, live video and file sharing – across devices, on any network. (Developing more targeted, engaging customer propositions – for example via chat-based games, mobile learning, smart ads and promotions)
- The 'Thinking Things' Platform of Telefonica
  - Modular hardware based on Arduino (open-source electronic prototyping platform to create interactive electronic objects), Open APIs for writing apps for devices
- A growing number of telcos including the Korean big three are launching open IoT platforms (mostly for smart home and smart cars)
- Telco apps: 17 million people use 'Who Who' app (KT), 18 million people use 'T-map' app (SKT)

# GSMA RCS (Rich Communication Service) model





# Limitations of telco platforms

- Limited scalability: most telcos are operating in domestic markets. (OTTs can go global instantly) → A strong positive feedback is difficult to create.
- Lack of organizational characteristics suitable for software-based platform businesses: flexibility, speed, decentralization, openness to external ideas, risk-taking attitude, failure-tolerant culture
- Privacy laws (OTTs are in a better position to obtain consent from users regarding the collection and usage of personal data)
- Net neutrality regulation (if applied too strictly) [e.g. sponsored data, zero rating]



