Telco and Mobile Media Trends 2010 in Europe

Mobile Content 2008
Seoul, Korea
September, 25th-26th, 2008

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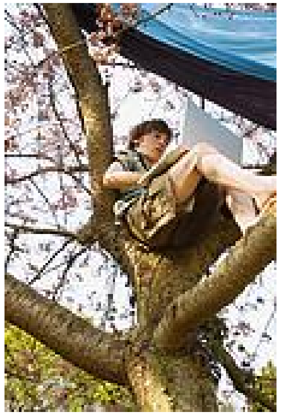
Content

Overview of Agenda Points

1. General Trends to Watch
2. Business Drivers in Europe
3. Mega trend: Fixed-Mobile Convergence
4. Consequences and Media Perspectives



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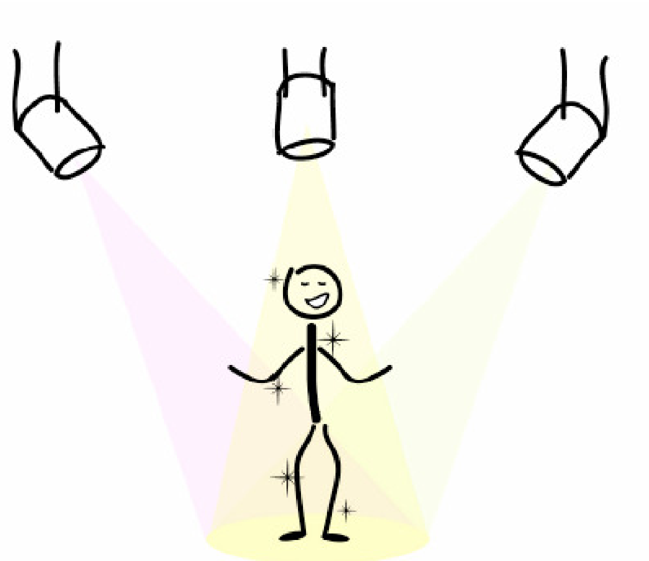
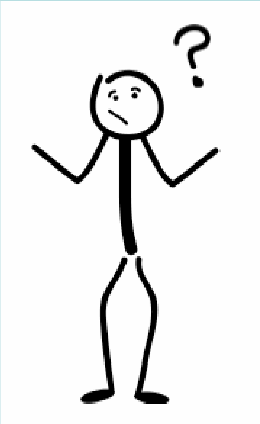
1.General Trends to Watch



1. General Trends
Mobile Data as a Growth Driver?

Elements of Future Growth

- **Consumer Insights**
- **Technology**
- **Market and Competition**



- **Your Revenues**
- **Your Costs**

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1. General Trends: Consumer

Consumer Trend: “Anytime, Anywhere, Anyone”

Mobile media will become a solid part of everybody’s life – but when?

Lifestyle attitudes:

Ahead of others
Make the most of work and social life
Use time effectively
Enjoy new experiences
Be individual + Be in control
Large circle of friends and networks
Experimental + Risk taking
Always searching for new challenges
Be flexible + non-binding
Increasing virtual level of activities

Source: Research Studies, 2008

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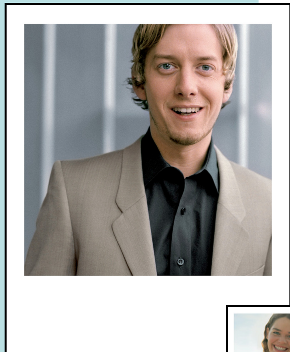
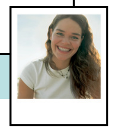
Aspects of mobility:

user mobility
= anytime, anywhere, with anyone

device portability
= always connected





Source: Universität Berlin, Mobile Communications, 2008

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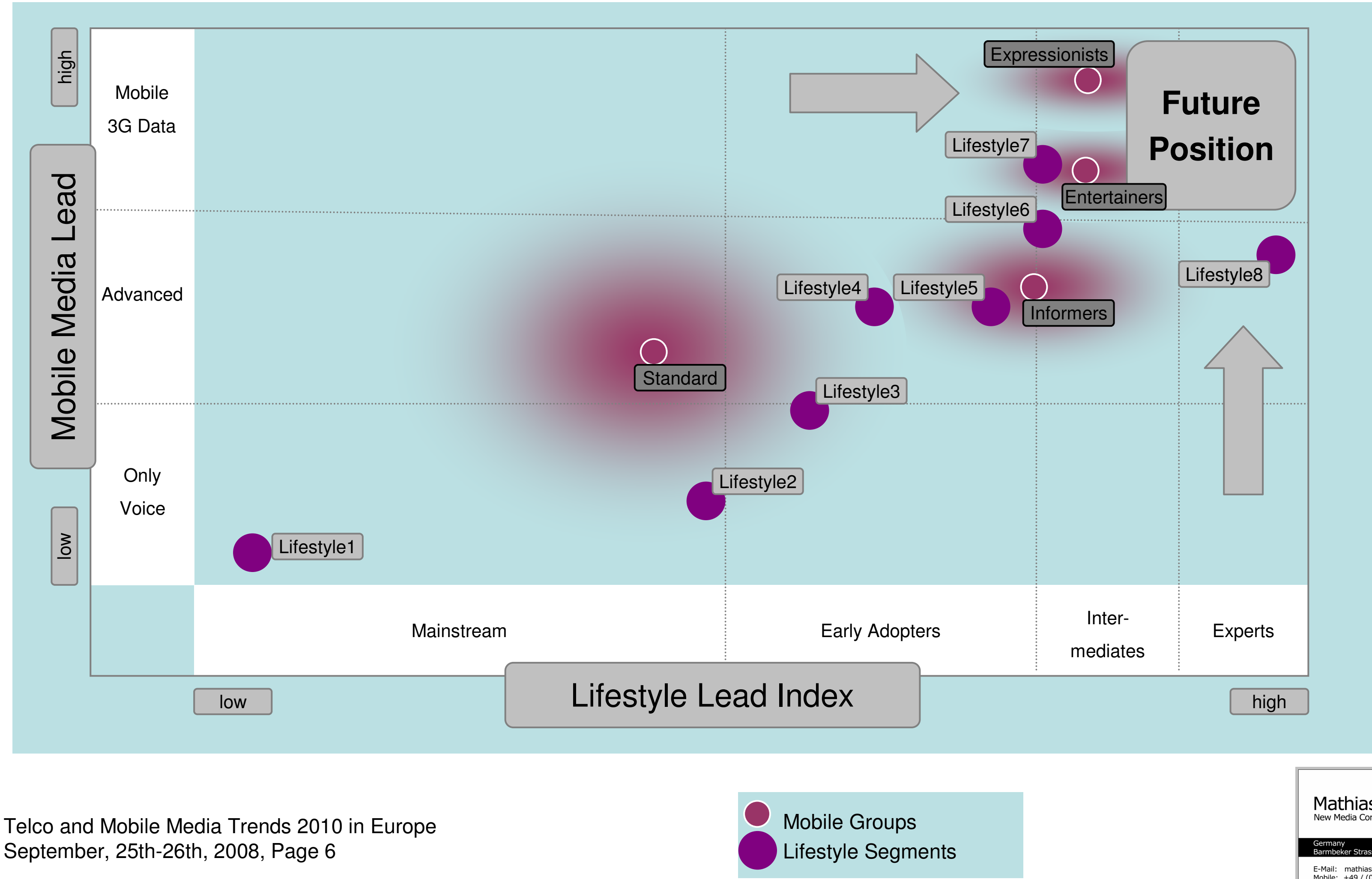
1. General Trends: Consumer

Mobile Media will become an increasing part of lifestyle

Both segments of lifestyle oriented people (true mass market) and mobile media freaks (early mobile users) will merge in near future.



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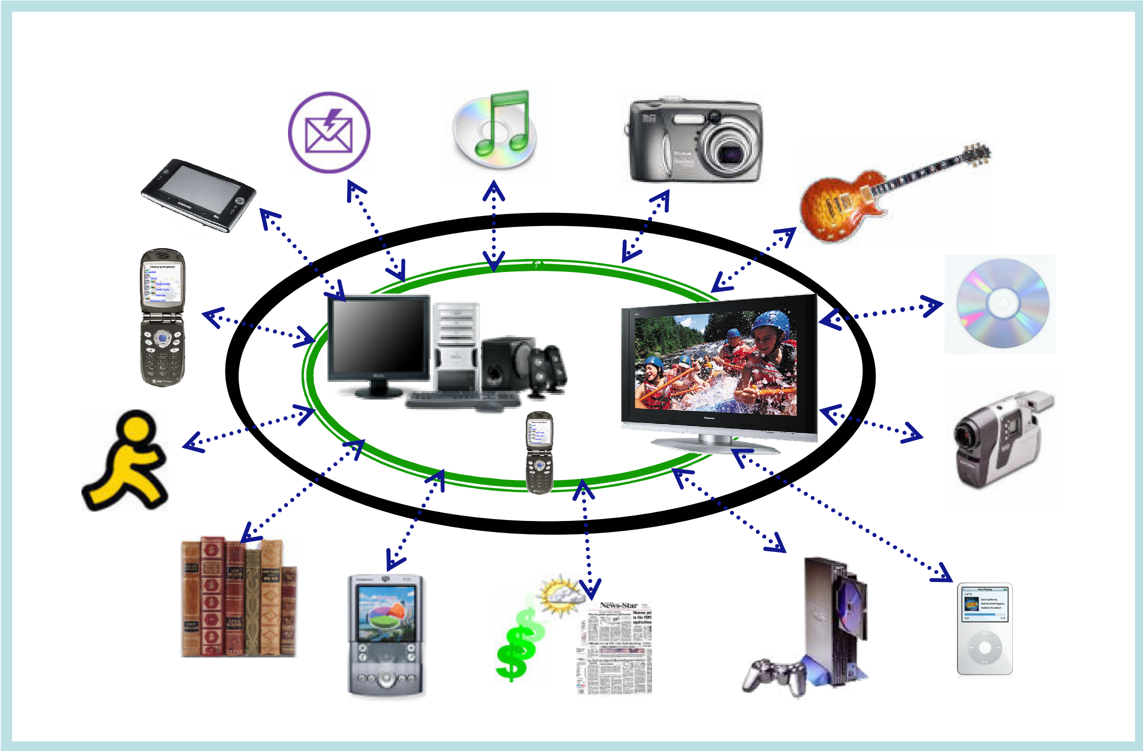
1. General Trends: Technology

The digital ecosystem (almost all data will go mobile)

As a long term trend all devices will be connected to the internet and each other and will create a world with wired or wireless connections.



Source: Creative Strategies, 2008

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1. General Trends: Technology

Billions of connected devices are on the horizon

Technology will be the key to support digital lifestyles and demand.

By 2010, there will be three billion connected digital consumers

- In 1995, there were only 500 million digital consumers
- In contrast it took 21 years for color TV to reach 100 million users, more than 90 years for fixed services to reach 100 million and less than 17 years for wireless to reach 100 million users

All devices will be part of individual's digital eco-system

- The match of lifestyle oriented and mobile media oriented segments will drive market growths
- Each consumer will have at least one connected device, some will have more than one
- New Digital TV, set top boxes, camera phones, mobile devices will drive further growth in the next years

Technology Push Result: "Always Connected" will drive new expectations

- Internet connectivity is becoming pervasive
- The demand for mobile communication creates the need for integration of wireless/fixed networks
- In a connected world, business and consumer expectations change
- Customers in future will want access to information and entertainment anytime and anywhere possible

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1. General Trends: Consumer & Technology

Providing a WIN-WIN-WIN situation

Successful market players will understand technology-push drivers and customer insights to create faster&better powerful concepts than others.

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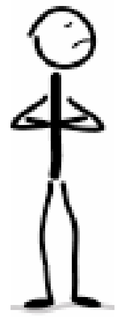
1. General Trends: Market and Competition

MNO's Business Challenges - Examples

Uncertain mobile market developments and environmental influences in Europe will affect strongly decisions of operators and other players.

Structural market developments

- **Value chain battles** (move of adjacent industries into mobile)
- **High penetration** in most European markets
- **Fixed-mobile substitution** and **converged products/services**
- **Multiple access networks and new broadcasting solutions**
- **Impact of IP** on voice and messaging on future business



Competitive moves by market players

- **Price-aggressive competitors** and (low cost /no frills discounter
- Increasing **competition around existing customers**
- Increasing **relevance of data** and internet services
- **Market consolidation** and increased M&A activities

Technological cost issues

- How to **drive usage** cost efficiently ?
- How to create **services against WLAN providers ?**
- **How to reduce costs per Megabyte**
- How to unleash 3G business to achieve its full potential

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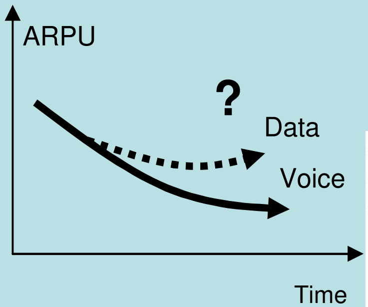
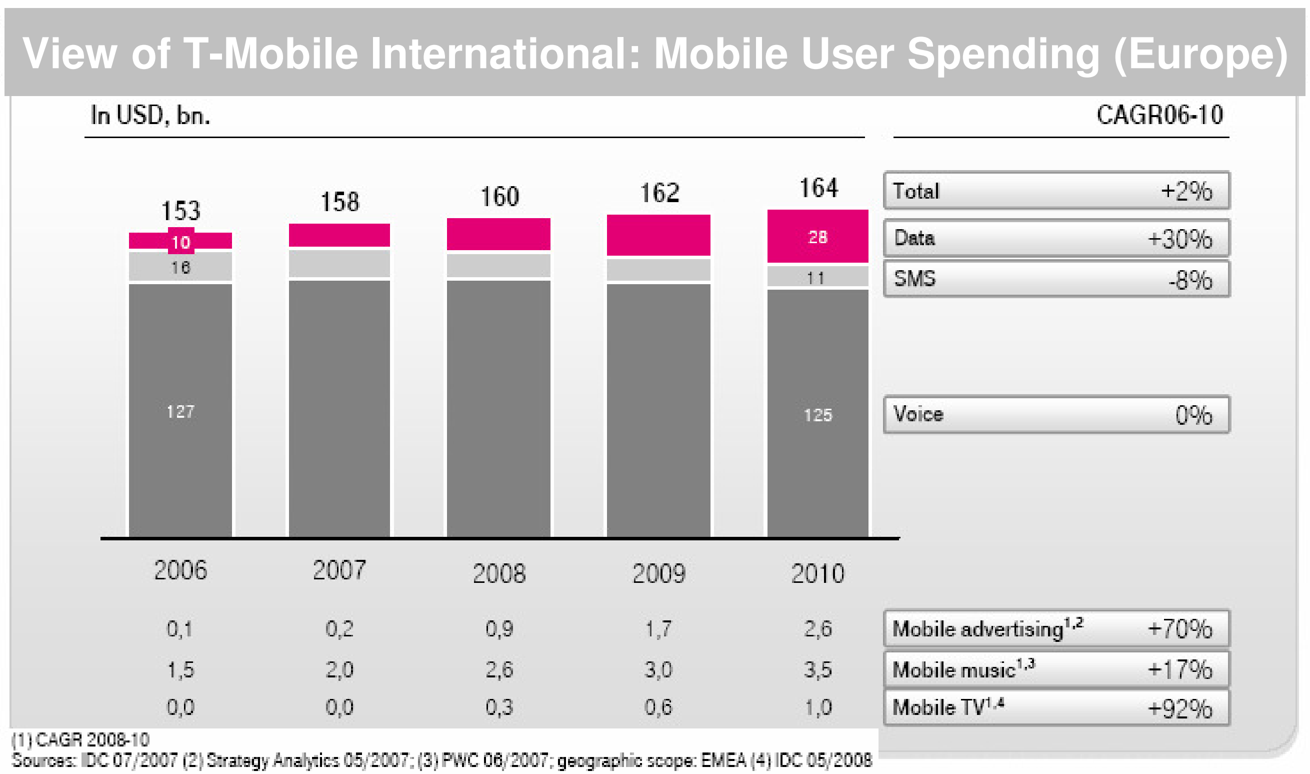
1. General Trends: Market and Competition

MNO's Business Challenges - continued

Unsure, if data ARPU growth will overcompensate drop in voice ARPU.





Source: T-Mobile, Munich Event 2008.

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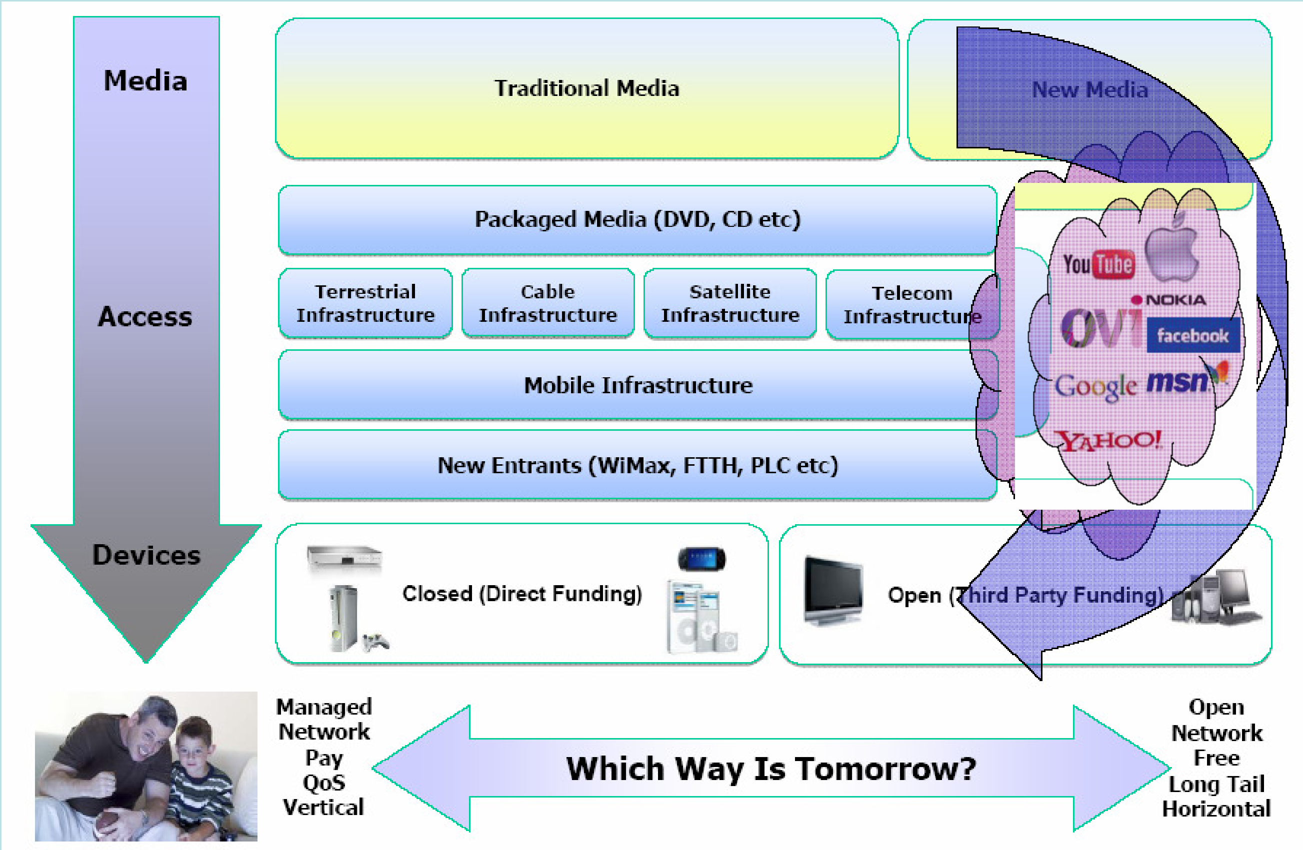
1. General Trends: Market and Competition

Watch out: New Players

In Europe: Further competition by new media, access, device players



Source: SA, 2008.

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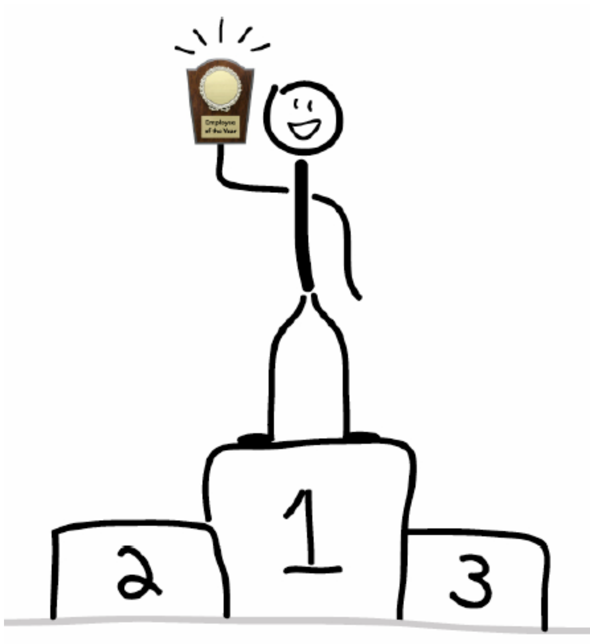
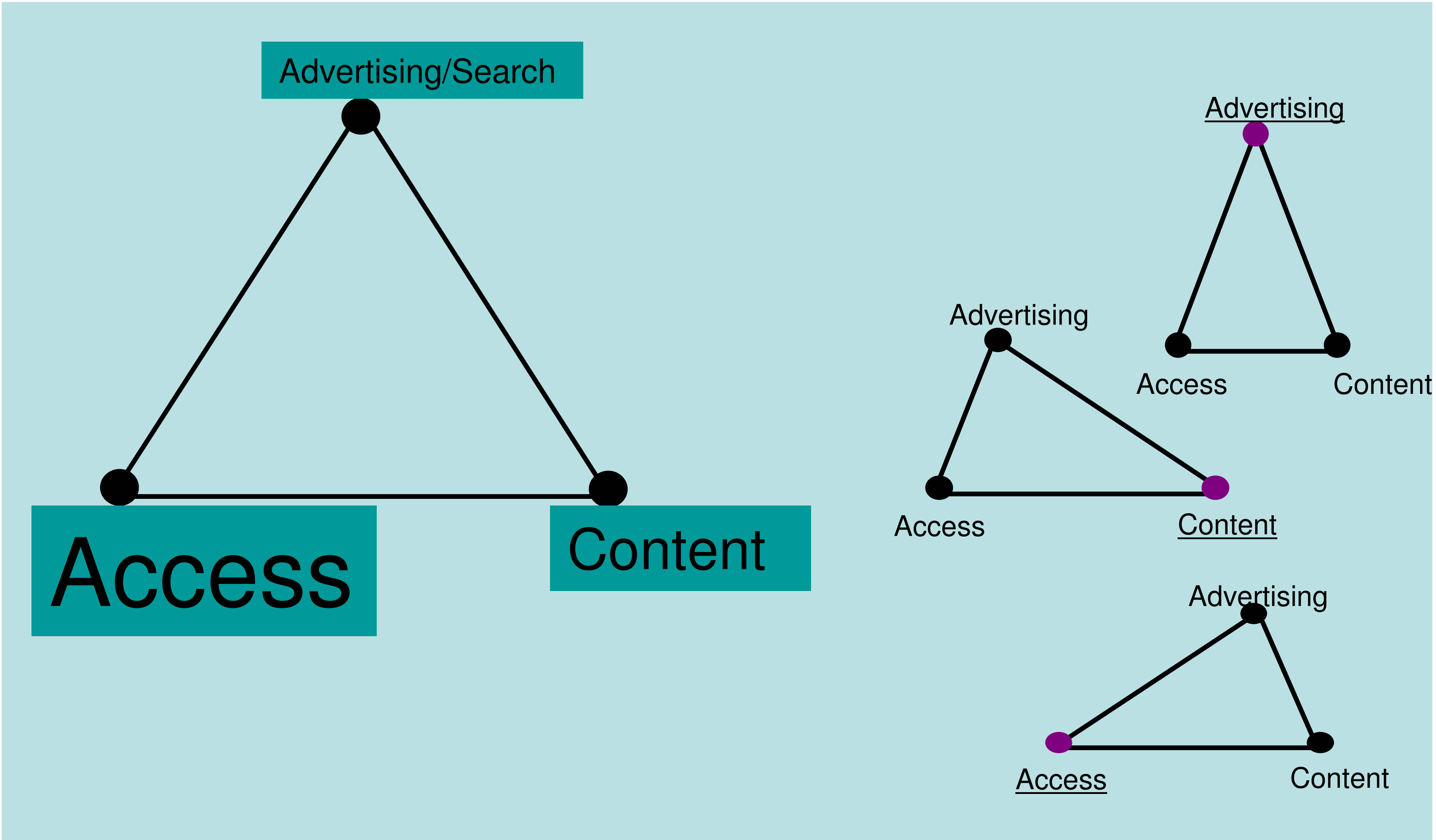
2. Business Drivers in Europe



2. Business Drivers

Revenue Sources – Conflicting Revenue Streams

Where "the money COMES from": Access, Content, Advertising …



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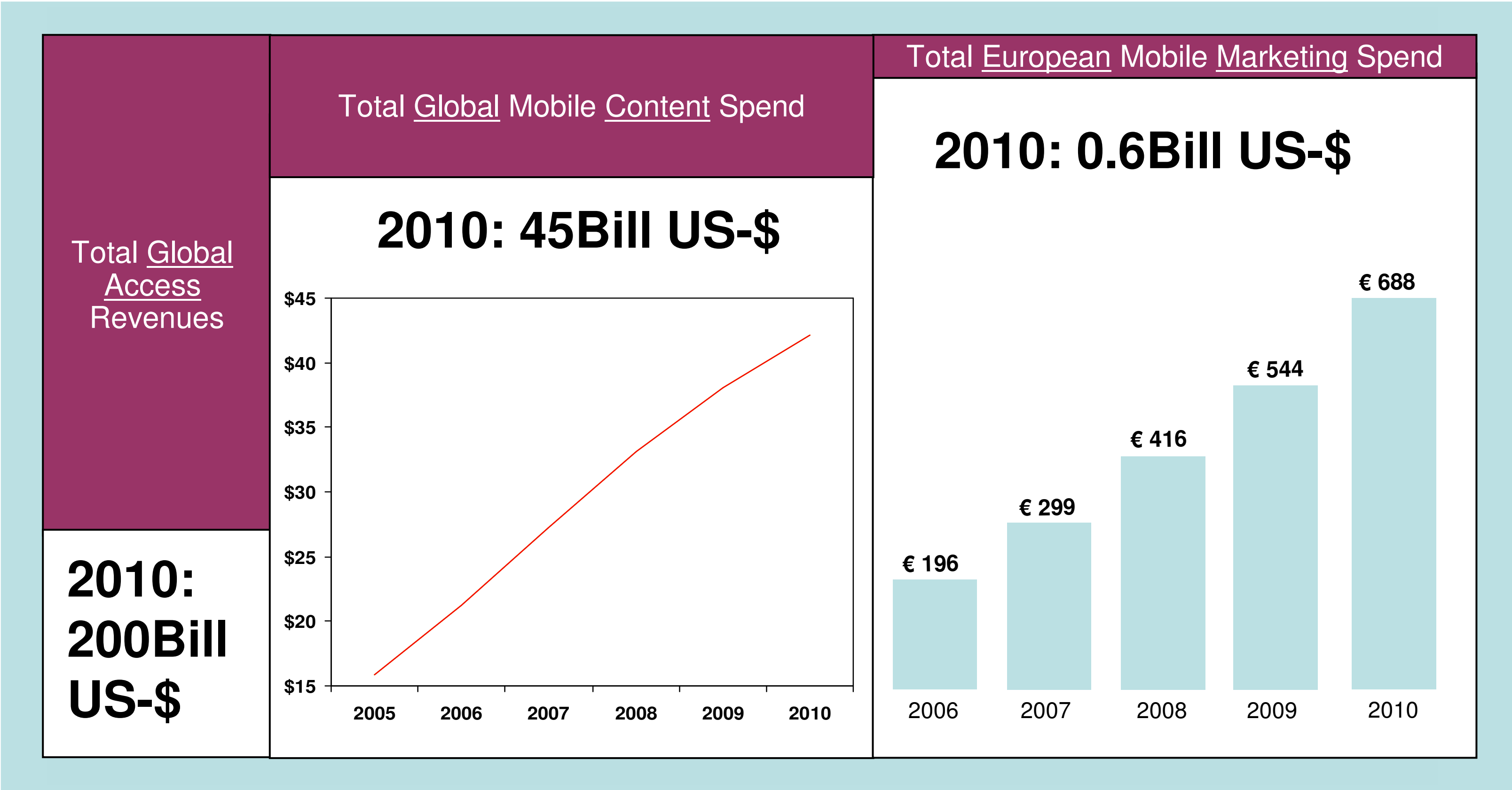
2. Business Drivers

Expected Revenue Trends in Europe

MNO’s will re-shift their attention to access/transport topics. Content margins will get under pressure. Mobile Marketing is in an early stage.



Source: Estimation based on different market research studies.

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2. Business Drivers

Mobile Internet will be the "hot communication potato" until 2010

MNO's media strategies in Europe changed significantly from initial 3G service launches until today's products up to tomorrow's propositions.

2004/2005/2006

- Walled Gardens
- Browsing
  - Hierarchical "decks" of links
- Off-portal portals
  - Separate technologically and financially
- SMS Interoperability

2007/2008/…

- Open Internet
  - Portals as gateways to all publishers
  - M-commerce, beyond digital content
- Search
  - Plus discovery, recommendations, personalization, …
- Advertising
  - Monetizing data beyond premium subscription fees
- Beyond Browsers
  - On-Device Portals, Active Idle Screens

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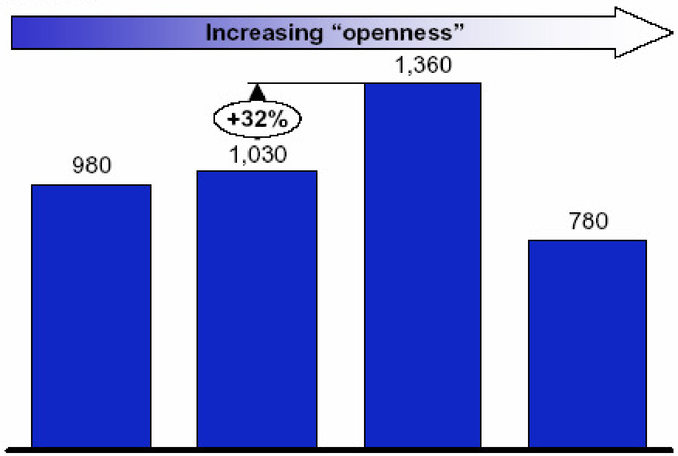
2. Business Drivers

Open Interfaces as the “hot-backend-topic” until 2010

MNO’s will open up their APIs and shift focus to Enabling Services.

Opening APIs could increase CLVs by ~30%, driven by incremental ARPU and churn benefits

Average customer lifetime value*
Dollars per customer



Business model	“Walled prison”	“Walled garden”	“Telco as platform”	“Bit pipe”
Key assump-tions	• Average US ARPU, churn, CCU	• $2-4 ARPU lift (w/ 50% rev share)	• $5-10 ARPU lift (65% to ISVs) • 10% churn reduction	• Flat access fee

Source: UBS, Yankee, Ovum, McKinsey Analysis

Early movers can also realize significant strategic benefits

- **Attract high ARPU subscribers** – Next gen services can increase share of most attractive gross adds (power users of both voice and data)
- **Gain leverage for standards setting** – Early leaders can possible end-game industry-wide software standards in their favor
- **Begin to form ecosystem of developers** – Establish relationships with leading ISVs
- **Gain learnings about customer usage patterns and behaviors** – Increased breadth of offerings (with low investment) enable rapid learnings about top customer wants

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3. Fixed Mobile Convergence

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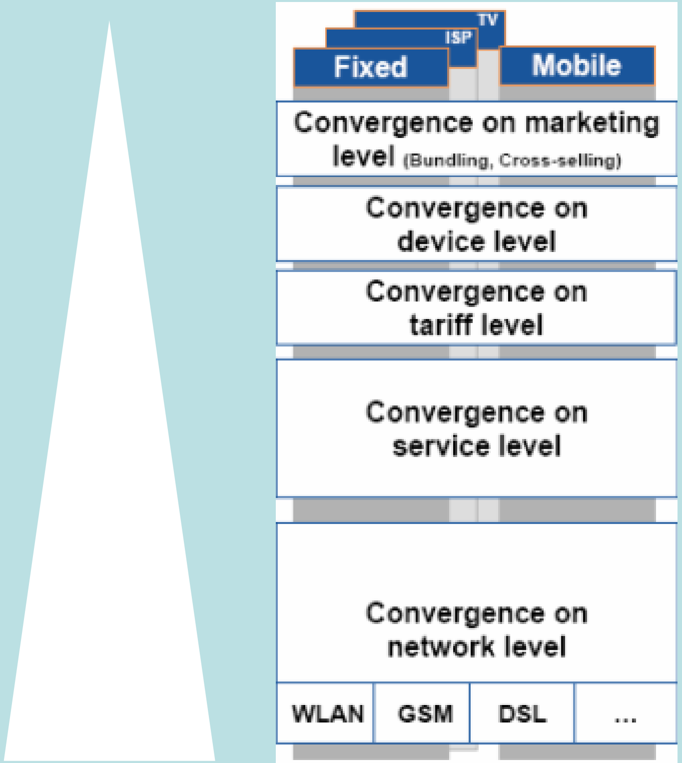
Will be the most important topic for all industry players until 2010

FMC will affect all value chain levels and will be driven by keeping growth and maximising profitability by reduced unit OPEX/CAPEX.



Example TV Spot
(Deutsche Telekom, July 2008)

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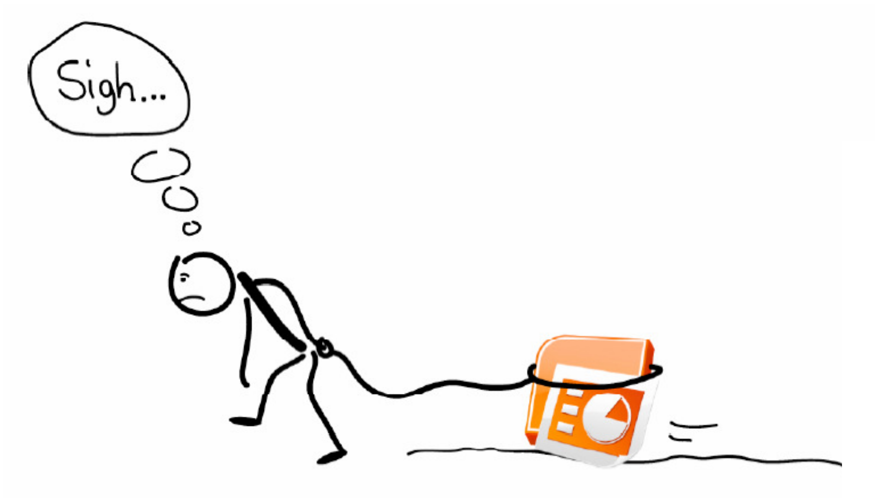
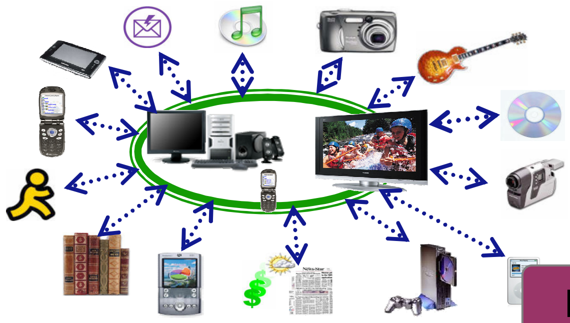
4. Consequences and Perspectives



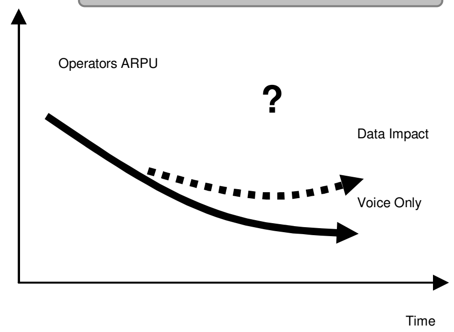
4. Consequences and Perspectives

Summary

Market Trends



Business Drivers



Megatrend: FMC

Recommendations

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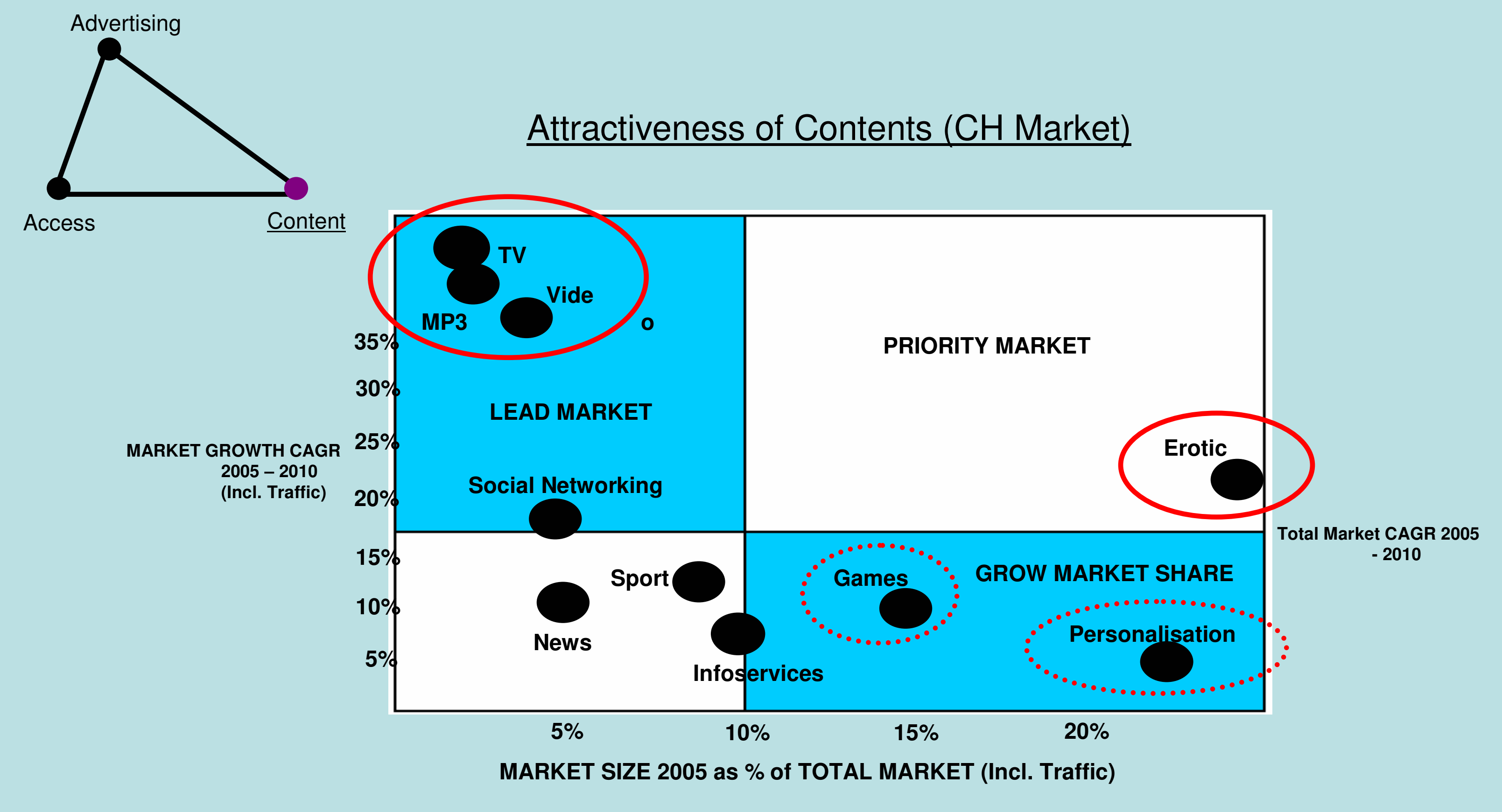
4. Consequences and Perspectives

The future of premium contents …

1.) Trend to outsource content portal activities will help to improve the margin for MNO's. But CP's and ASP's will fight for their portions.



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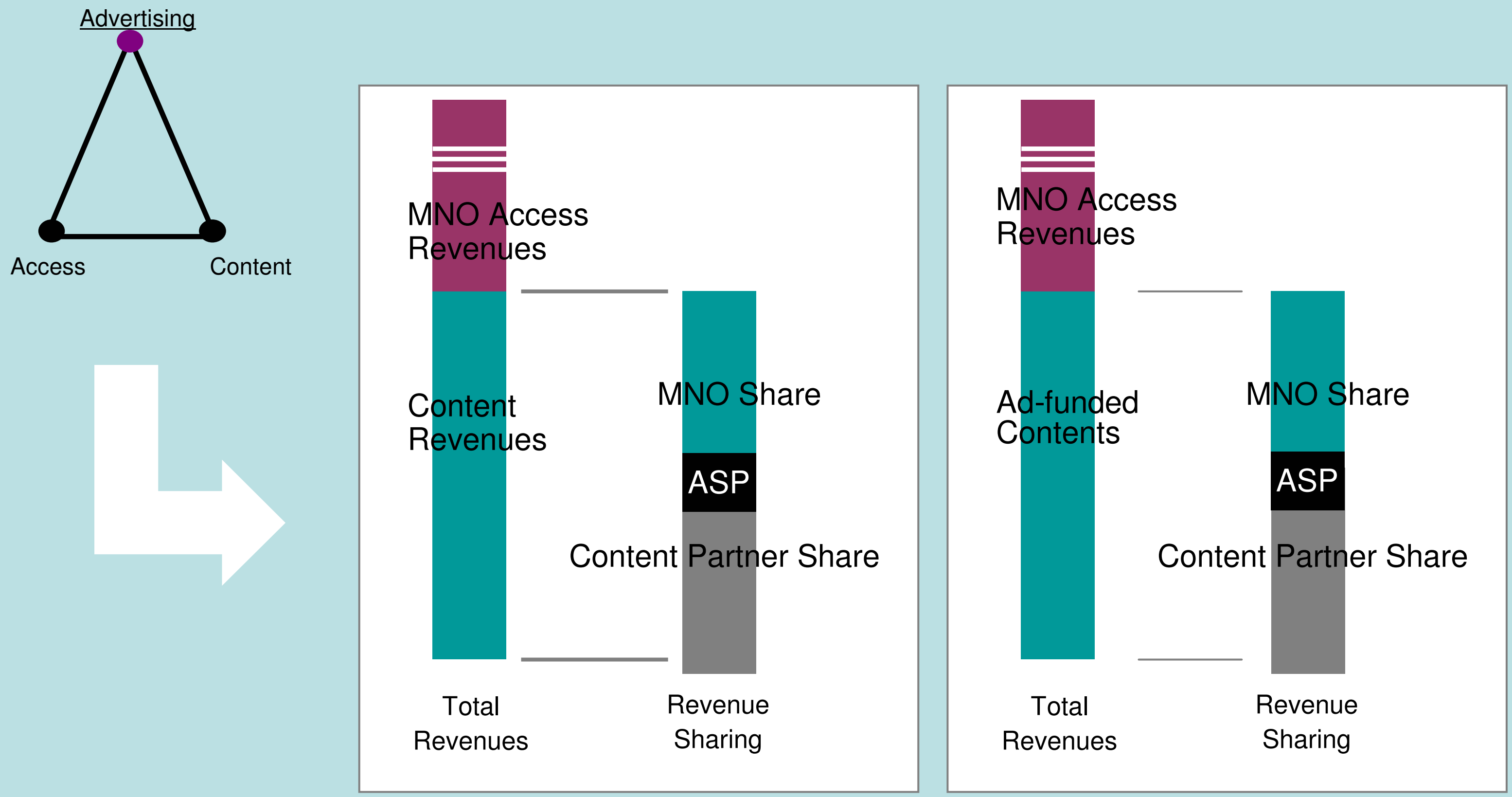
4. Consequences and Perspectives

… will lie ahead with ad-funded instead of stand alone premium paid

2.) MNO's announced Mobile Advertising as their key strategic focus.



(*) Note: In case of integrated pricing (access + content revenues) the Operator will deduct a transport transfer price and afterwards shares of MNO, ASP and CP will be caluculated.

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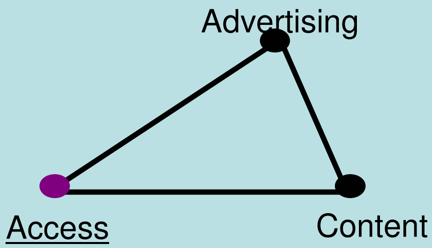
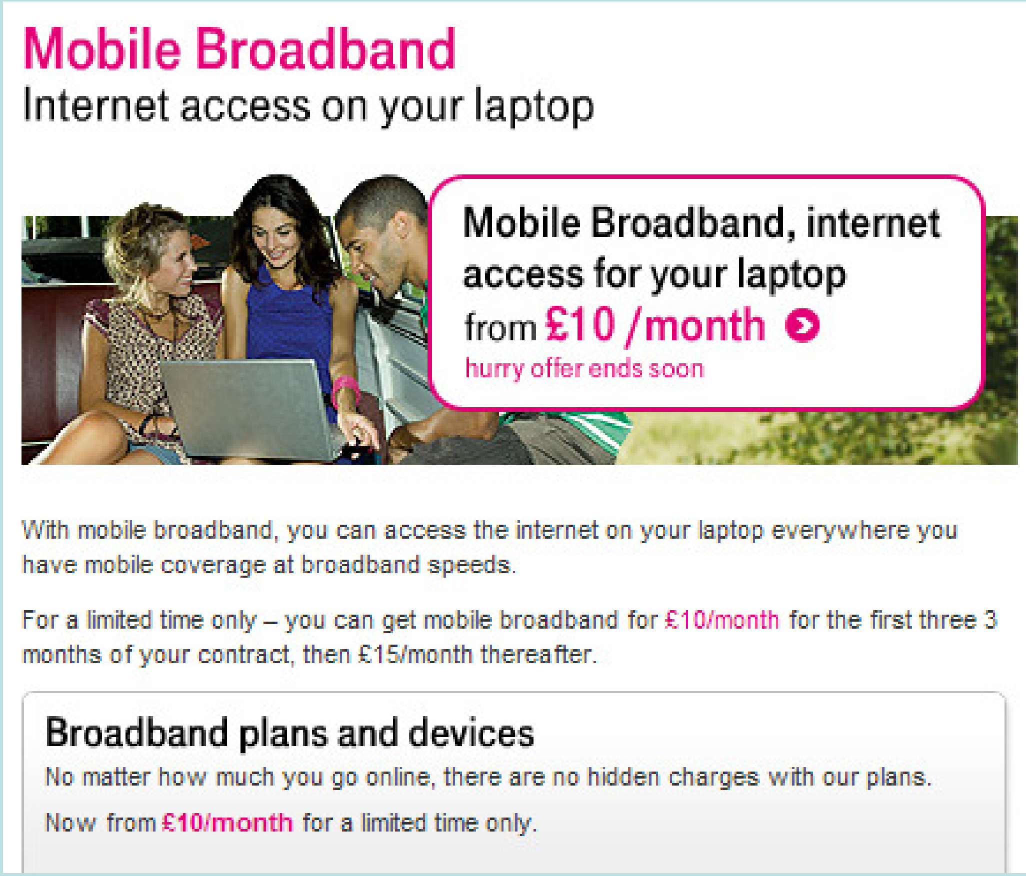
4. Consequences and Perspectives

… and will be more and more off-portal instead of on-portal business

3.) Decline in access prices. First flat-rates. Mobile Broadband Focus.





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4. Consequences and Perspectives

New services will be community, peer2peer and user generated driven

4.) Trends: Interactive, UGC, Long Tail, Open Network, Super-Distribution:

	MoCo 1.0 *Basic data*	MoCo 2.0 *One way content*	MoCo 3.0 *Rich interactivity*
Gaming	• Casual single player games	*None*	• Interactive multiplayer gaming
Video and music	*None*	• One way streaming media	• User generated content
Infotain-ment	• Basic browsing - news, sports, weather	• Broadcast news and information	• Community • Social networks • Local search
Commerce and payment	• Buying ringtones, wallpaper	• Buying videos, music	• Proximity payments • Remote purchase

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4. Consequences and Perspectives

New ideas will appear by new mobile broadband services and new devices

5.) To sum up: "Almost all data is going mobile"

USB HSPA Stick for Non Embedded Nbks

- Mobile Broadband experience while on the move with your notebook

Low Cost Netbook

- Internet centric and ready to use 'notebook' with a wide range of applications preinstalled
- Highly attractive price, Cost: $250-400

Embedded 3G Notebook

- Embedded 3G for best performance and Mobile Broadband everywhere
- Wide range of notebook brands (Acer, Asus, Dell, FSC, HP, Sony, Toshiba, ...)

Mobile Internet Device

- Ultra portable
- PC-like capabilities and performance
- Full web experience everywhere
- 3G Mobile Broadband embedded

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Thank you. Q&A.

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