OTT services

TIME TO GO OVER THE TOP?

More and more mobile operators are experimenting with OTT communications services, but which are most likely to succeed, wonders David Pringle

In the increasingly competitive digital communications market, economies of scale and scope are becoming a major source of competitive advantage.

As a result, the quaint concept of mobile operators only offering voice and messaging services in markets where they have physical infrastructure is becoming increasingly outdated.

In many markets, telcos' voice and messaging revenues are already in decline. Research firm Ovum estimates that $23 billon in messaging revenues were lost in 2012 alone to SMS alternatives.

Mobile operators are now focused on retaining a presence in a market that is ebbing away from them and there is already a shift by some operators towards offering data plans with basic voice and messaging services bundled in for free.

But adding unlimited SMS messages and voice calls to bundles may not be enough.

Acknowledging that their biggest competitors in the voice and messaging market are now WhatsApp, Skype, Facebook and other global players, major mobile operators are breaking the umbilical cord between their networks and their services.

Consumers are attracted to OTT services because of their flexibility and their functionality, as well as their low prices.

Skype and Facebook, for example, can be used on PCs and tablets connected to WiFi networks, as well as mobile handsets, while WhatsApp offers neat features, such as notifications that your message has been sent successfully and then read by the recipient.

Facing this kind of competition, mobile operators are looking to create differentiators for their own OTT services and apps.

Telefónica, T-Mobile and Orange are among those offering OTT services designed to work across the internet.

In recent months, Orange has launched Libon, a free communications app offering HD-quality calls over 3G and Wi-Fi networks in 80 countries, while T-Mobile has enhanced its Bobsled OTT service and partnered with specialist Vopium to trial mobile VOIP services under the Clever Connect brand in the UK.

Telefónica, one of the first telcos to realise that it needed an OTT play, says that, in December 2012, its TU Me OTT app had approximately one million users.

Clearly, such free services could reduce demand for the conventional, paid-for voice and messaging services provided by mobile operators, but Telefónica decided that an OTT offering will help it retain a strategically-important presence in the digital communications market.

"We wanted to be part of an ecosystem that is growing and to learn what our customers are doing," says James Finn, director of communications product design at Telefónica Digital. "People want to communicate more and there is no reason we shouldn't continue to participate in the market we created."

Finn adds that Telefónica will begin to monetise TU Me in 2013. "There are 50 or 60 different things we could be doing in monetisation. We will test two or three in the short-term," says Finn.

Mobile operators should, at least in theory, be able to optimise their networks and apps to work well together and provide a high quality of service.

"We own both the "can and the string," so that gives us unique capabilities and enables us to offer a differentiated service," says Finn.

However, he maintains that Telefónica doesn't prioritise TU Me traffic, even at very busy periods, such as New Year.

Orange's Libon communications app, developed by Orange Vallée, a "disruptive innovation unit" within the Orange Group, can convert a voice message into text and enable the user to greet different callers with different voicemail messages.

Libon users can also buy an in-app subscription, providing a full hour of international calling every month to landlines or mobile numbers in 31 countries. Orange adds that Libon will be compatible with services based on the Rich Communications Suite (RCS) standard, which is designed to make mobile operators' IP-based voice and messaging services, such as group chat, file transfers and on-call content sharing, fully interoperable.

Telefonica's TU Me app

Indeed, Orange, Movistar and Vodafone launched the world's first fully interoperable RCS services in Spain in November 2012.

Branded joyn, a certification trademark of the GSMA, the services enable the operators' customers to chat and exchange images or video during calls across networks.

The GSMA says that joyn services are also available now from individual operators in Germany and the US. "With desire and effort and a commercial deal, any OTT service (from an operator or an OTT Internet Player) could interoperate with the global joyn network," adds Graham Trickey, senior director - commercial and technical mobile Internet solutions at the GSMA.

Awesome cross-platform mobile
messaging with friends all over the world

WhatsApp

RCS is also being touted as a potential platform for enabling automated, multimedia communications services between companies and their customers. SMS is sometimes used for this purpose today, but the richer functionality of RCS means it could enable a much broader range of use cases. To make that happen, mobile operators will need to open up their networks by exposing application programming interfaces (APIs) that developers could use to initiate RCS sessions.

This approach is advocated by Solaiemes, a Madrid-based start-up which provides a RCS-e (Rich Communications Suite – enhanced) gateway that enables web services and apps to make use of telco infrastructure. Rather than speaking to an interactive voice response (IVR) system, for example, a consumer could use RCS to start a chat session with a company, which could be handled by an automated bot.

"Customer care is a winning enterprise use case," says José M Recio, co-founder of Solaiemes. "Consumers can use RCS to perform self-service capabilities, which is much more pleasant than using an IVR... with IVR you need to focus, but with chat you can be multi-tasking."

But Recio says that mobile operators need to move quickly. "No OTT has an API that can be used by enterprises, but they will because that is where the money is," he adds.

Recio says that Solaiemes is working with three out of the five mobile operators steering the development of RCS-e (Deutsche Telekom, Orange, Telecom Italia,

WhatsApp is well ahead of operator-led initiatives

'' We are a big enough company to have a few strands to our strategy

Telefónica and Vodafone). "They are already exploring these kinds of enterprise use cases," he adds. "This idea of RCS being in a fight with OTT is wrong. That is only the case, if you see RCS as being about peer-to-peer."

One of the factors that has held RCS back has been the perceived need to deploy IMS (IP Multimedia Subsystem) technology in the mobile network, but RCS can now be deployed using a hosted IMS solution from a vendor.

In this case, operators are likely to deliver a hosted solution to their customers as an operator-owned joyn service, according to Graham Trickey at the GSMA, "exhibiting all the normal benefits of an operator service rather than an OTT service: Ubiquitous availability, global interoperability, security, privacy, comprehended in operators pricing tariffs/bundles."

But operators don't necessarily want to put all their eggs in the RCS basket. "If people like TU Me, we will go after that," says Finn at Telefónica. "If people like RCS, then we will go after that. We are a big enough company to have a few strands to our strategy."

Existing OTT players aren't surprised by the new competition from operators. "It is difficult to build a differentiated brand if they don't have services and regular contact with customers," says Andreas Bernström, CEO of Rebtel, a leading provider of OTT mobile VOIP services.

As well as developing OTT services in house, many telcos are looking to work with specialists, such as Rebtel. "We have had three RFPs from tier one European operators asking us to build mobile VOIP for them," Bernström says.

Partnering with players who have already built a successful OTT communication service is often done on the basis that the operator will be able to sell dedicated tariff plans and other add-ons.

Ovum notes that operators 3 Hong Kong and RCom have both partnered with WhatsApp, for example.

Such partnerships may enable mobile operators bring an OTT offering to market faster than they could build their own service. Rolling out a latency-sensitive OTT service, such as mobile VOIP, can be an expensive and time-consuming process, requiring dedicated data centres in locations near customers.

Bernström says Rebtel, which has 20 million customers around the world and made almost $80 million in revenue in 2012, is open to working with other mobile operators to provide co-branded OTT services, contending that operator's own OTT services and joyn are struggling to gain traction.

"Joyn is trying to do 12 things well," he adds. "Single purpose apps, such as WhatsApp, seem to be the way to go."

But Telefónica's Finn is wary of partnering with OTT players on communications services: "We looked at that option, but it is very difficult to partner with a company in your core business... the trade-offs are humongous."

Finn is more positive about using standards, such as the

Session Initiation Protocol (SIP), to build interoperability with other OTT services: "There are some interesting companies in this space, but we haven't gone through with any deals… we need to grow up our own user community first."

Mobile operators are, of course, much more open to partnerships that keep their brands front and centre.

In the US, AT&T has struck one such partnership with Twilio, which provides a web-based API that enables developers to build voice and SMS applications that "will connect to carrier networks all over the globe".

Twilio's cloud communications services and API platform underpins AT&T's new Advanced Communications Suite - a web portal that enables businesses to use voice and SMS-enabled applications to interact with employees, partners, suppliers and consumers.

The ready-made apps include appointment reminder services, survey data collection tools, business continuity solutions and geo-targeted messaging.

Twilio has done a similar deal with KDDI in Japan and James Parton, Twilio's director of European marketing, says that his company is confident that European telcos will also resell its API platform in the same way.

"It will drive incremental traffic on their network and make them more relevant to the developer community," says Parton. "Twilio's API works, it is simple and reliable…

FT-Orange launched a range of new innovations at a glitzy launch in November 2012

it has validation and credibility in the developer community."

Parton adds that the diversity of telcos' IT architecture can make it difficult for them to create in-house a single voice and messaging API that will work across their group.

He also notes that many telcos lack the relationships with the developer community that are needed to ensure widespread use of their APIs. Moreover, many web developers, in particular, still aren't aware that they can easily add communications to their software. "The perception is that telephony is hard," says Parton.

Still, there is a danger that as telephony and messaging are integrated into more and more apps, the telco's brand gets obscured by others. T-Mobile originally launched its Bobsled service to enable Facebook users to make free VOIP calls to their friends on Facebook, but the operator has since turned Bobsled into a standalone OTT service.

Although some commentators believe that Facebook could eventually take a major chunk of the peer-to-peer communications market, Finn believes that the market for social communications, such as that provided by Facebook, will remain distinct from the market for secure and private personal communications.

"If you really need to reach someone, you aren't going to use Facebook," he says.