

Services, bundling, ...

Patrik Fältström
paf@cisco.com

Warning: this is a theory I am working on!

Services, bundling, ...

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paf@cisco.com

Old business models

- One de-facto monopolist
- Voice was the service provided
- Cost depended on length of the call
- Cost depended on distance of the call
- Party called paid all parties involved

Today

- One de-facto monopolist
 - Many providers of various services
- Voice was the service provided
 - Voice one service, and access another
- Cost depended on distance of the call
 - Distance have no impact on opex
- Party called paid all parties involved
 - Internet uses model "bill and keep"

What is happening?

- Broadband providers sell vertically integrated solutions
 - IMS, NGN, triple play
- Competitors bring in services
 - But they choose which ones, only profitable ones
- End users are happy
 - They get what they want, and more
- Regulators are confused
 - Providers claim end users will be unhappy if...

Broadband providers

Verizon FiOS TV, Internet and phone

\$99.99

a month for
two years.

Such a small price for a big deal.

Most amazing picture on TV. Period.
Fastest Internet. Period.
Crystal-clear phone service. Period.
Great price. Period.

Verizon FiOS: It doesn't get any better than this. Now the power of fiber optics can transform your TV, PC and phone. Whether you're watching one of the over 200 all-digital TV channels or zipping through the Internet with speeds ranging from 5 Mbps to 50 Mbps, you'll instantly see the difference FiOS makes.

Getting it all together has never been so good.

Now you can get fiber-optic TV, blazing-fast 5/2 Mbps FiOS Internet service and unlimited calling — all on one simple bill.

And all for \$99.99 a month (plus taxes and fees), for two years.

That includes Home Voice Mail, Caller ID and Call Waiting.

Plus professional installation and a networking router.

Verizon FiOS. TV. Internet. Phone. From the most advanced fiber-optic network straight to your home.

Verizon FiOS

tv | internet | phone

1-877-204-1166

verizon.com/ma/tv2



Requires FiOS Internet 5/2 Mbps service, FiOS TV Premier and Verizon Freedom Essentials. Additional charges, taxes and other terms apply. Activation charges and early termination charges apply. Two-year commitment required. Additional charges for optional packages. Lease of additional equipment required for digital programming. HDTV set required for HD programming. Service/program availability varies. Speed and uninterrupted service not guaranteed. Calling plan includes residential direct-dialed domestic calls only. FiOS Internet customers purchasing Verizon voice service receive both services over fiber. Includes up to 8 hours battery back up (for non-IP voice service only). ©2007 Verizon.

Competitors



End users

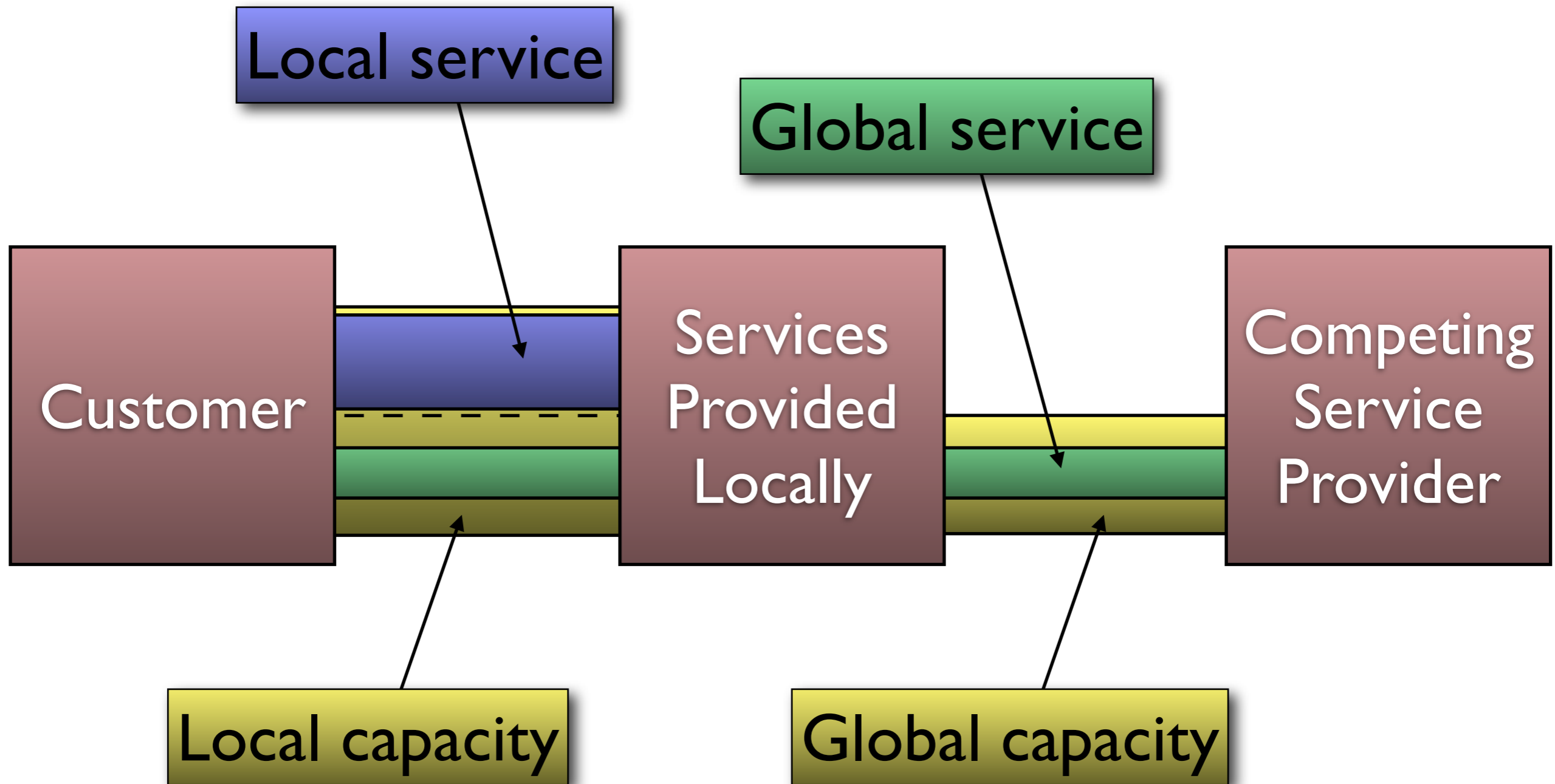


Good or bad?

History

- Providers sold access and services
 - Voice (that included access) sold as one product with monthly fixed fee plus minute charge
- Their products opened up
 - Access and Services sold separately, Price for access set by market - often below production price.
- Competition where it is feasible
 - As Service is overprized, competitors sell alternatives to those, which uses the Internet Access

How does this work?



Explain more please...

- The “capacity” of local access can be greater than global
- This enables powerful local services
- Capacity of global access always increases over time
- One day global access can be used for the service that today only can be local

Providers reaction

- Require contracts with long time
- Do not want “best effort” one day can be used for their services
- Do not want competing providers
- Have built in interest of giving bad performance of “best effort”

Customers reaction

- Believe they have to pay a lot for TV
- Believe broadband is cheap
- Can not choose alternative providers
- Will never get good Internet Access

Competitors reaction

- Love the situation that services are expensive
- Enormous potential to make money
 - *They do not have to run the Internet Access*
- When Internet access is good enough, they will launch their service

Who is the winner?

Who is the winner?

- The competing provider of services!

Who is the winner?

- The competing provider of services!
- No network to run
- High margin
- Tons of potential customers
- They have the regulator on the same team

what to do?

Conclusion

(Based on this theory!)

- Tying access to service is bad
 - Both for the end user and the access provider
- End user should buy Internet access and then services
 - Better choice but, more complicated (bundling ok!)
- Providers of services should be global
 - Customers want to reach services from anywhere!

only future will tell...

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