Services, bundling, ...

Patrik Fältström
paf@cisco.com

Warning: this is a theory I am working on!

Services, bundling, ...

Patrik Fältström
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

Competitors

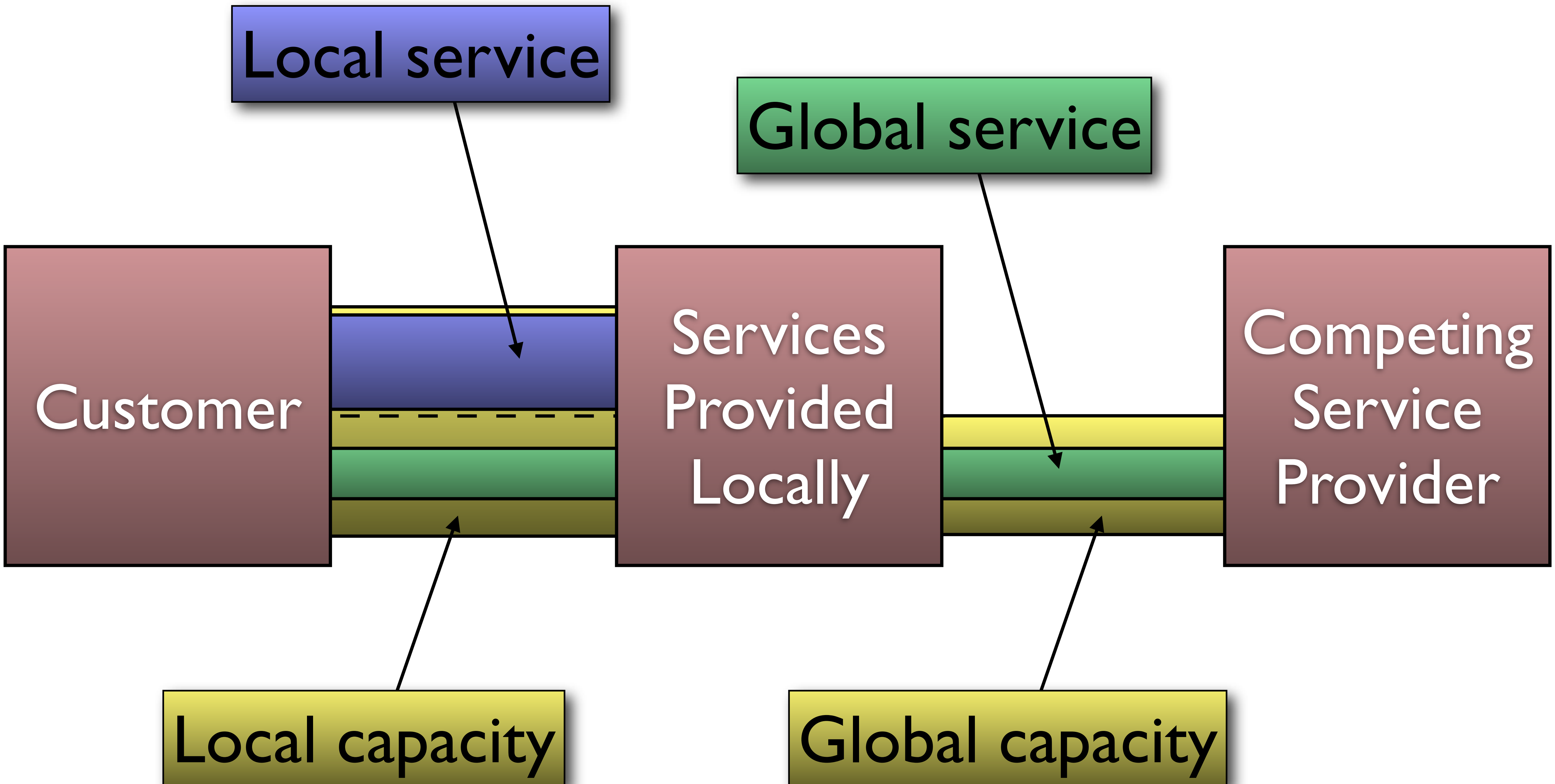
End users

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...

Patrik Fältström
paf@cisco.com