

Executives from operators around Europe and the Middle East gathered at a conference in Bodrum to share experiences of how to compete with Google, Skype and others

# Beating over-the-top players at their own game



Abdul Malek Al Jaber, Zain: We have taken the telecommunications industry to new, innovative angles. We have introduced the concept of the new integrated operator

Operators are becoming increasingly concerned about the impact that apparently free over-the-top services such as Google, Skype and now Facebook are having on their businesses.

These companies are supplying customers with sophisticated web-based features that are competing with revenue-earning services that fixed and mobile operators are providing.

"Telcos have to decide the strategy they want to pursue into the future," said Ulrich Hammerschmidt, a vice president in the innovation group of Deutsche Telekom's wholesale division, ICSS. "Do they want to continue providing just commercial products or do they want to move up higher in the value chain in order to compete against companies such as Twitter or Facebook or Skype?"

Hammerschmidt was speaking at a conference for future-thinking operators held in the Turkish city of Bodrum by CommuniGate Systems, which provides technology that competes with over-the-top operators.

"This summit was designed to give the telecom industry a platform to discuss ways to deal with the escalating impact of disruptive technologies," said Scott Stonham, CommuniGate's vice president of marketing. "We called the conference 'Beating Skype and Google at their own game'."

It's an issue that is catching the attention of a wide variety of operators. According to Abdul Malek Al Jaber, CEO of Zain's operations in Jordan, operators have to be fast on their feet to compete. "We in Jordan have taken the telecommunications industry to new, innovative angles," he told the conference. "We have introduced the concept of the new integrated operator."

For example, Zain has introduced its own enterprise solutions, crucially using Arabic content and applications. "We have many success stories," said Al Jaber.

Zaid Alshabanat, the COO of Etihad Atheeb Telecom, one of the newer competitors in the Saudi Arabian market, operating under the Go Telecom brand, is similarly confident of the potential of competition. "We see an opportunity not a threat by capitalising on internet services" competing with those offered by Skype and Google, he told the conference.

## Quality of experience

"We have to be very fast in providing new services," he said, and Go has to compete in terms of quality of experience and value for money as well as providing the best quality in telecommunications.

"Etihad Atheeb Telecom has a 4G network based on IP MPLS that will enable us to offer what customers require across the globe," said Alshabanat at the Bodrum event. "We have an alliance with CommuniGate and we will be able to offer competitive services."

Competition with over-the-top providers is particularly notable in Turkey, said Cengiz Öztelcan, the director of international investments and business development at Türk Telekom. "As the incumbent operator we have been dealing with the fixed to mobile erosion for some time," he told the conference. But as an operator that offers fixed line as well as mobile telecommunications and ISP services we believe that we can offer customers convenient solutions and value added products."

Alshabanat explained why the economy of Saudi Arabia makes it important to offer an attractive solution to customers. Saudi Arabia, the largest economy in the region by far, enjoys a healthy economy, he said, with a gross domestic product now running at \$21,300 per person. Two thirds of the population is under 29 years old, and a high percentage are frequent travellers, people who need access to local unified communications services while abroad.

In addition, there is a sizeable addressable market of expatriates in Saudi Arabia, he said. "This is expected to grow."

The company's acting CEO Raed Kayal followed up Alshabanat's points by explaining why it is challenging over-the-top players, because the tough competition in the market is bringing down prices for both voice and internet services.

The company is focusing on offering high definition voice services and other high quality services. "That will give us an edge," said Kayal. "Our 4G IP platform is fast and agile and we will be able to compete and offer unique services," he noted.

The company was awarded the second fixed-line operator licence for Saudi Arabia in 2007, so was able to build a state-of-the-art network.

New services such as voice over IP are becoming increasingly important, and Etihad Atheeb is now offering cloud-based services — such as a virtual mobile office — that extend across geographical boundaries and are access-agnostic, providing fixed-mobile convergence.

"It is amazing to see how the power of sharing knowledge and thoughts among a group of modern ICT providers would open up the minds and help



**Ulrich Hammerschmidt, Deutsche Telekom ICSS: Do telcos want to move up higher in the value chain in order to compete against companies such as Twitter or Facebook or Skype?**

in defining the future of telecom products and services, defining the future for cloud telco providers,” said Kayal.

Karl Manfredi, the CEO of Brennercom, a specialist telecoms provider based in northern Italy, also believes in the importance of innovative services based on the company’s own infrastructure, which reaches across borders into Austria, Germany and Switzerland.

Brennercom has a modern optical fibre network as well as its own wireless network, using WiMax, as well as conventional copper — and uses unbundled local loop connections from the incumbent.

#### Regional player

“The secret of competing with global players — Skype and Google — lies in our main strength: Brennercom is a regional player,” Manfredi told the Bodrum conference.

“As a regional player Brennercom offers made-to-measure services for the business market. These kind of services are difficult to be replicated in national and global markets.”

Brennercom’s strategy is “to observe global players and study their business models, gain interesting insights, and take advantage of their values for better performance in the regional market where we operate”.

CommuniGate’s Stonham agreed: “Some operators are already beating the OTT providers by focusing on providing high quality, localized services with superior customer care and secure, private data handling.”

Manfredi pointed out that “Skype is not free”, because if everyone used Skype telecoms operators would make no money. “Can Skype’s business model last forever?” he asked, pointing out that the over-the-top player “is not competitive in national and fixed-to-mobile Skype-Out traffic” and that its premium services are expensive and have to be paid in advance.

Stonham noted: “The tide is turning, as end-user trust in the OTT providers begins to fade, operators must leverage this and the fear, uncertainty and doubt that it creates, to maximise the value of their existing trusted billing relationships.”

But customers don’t always see those arguments, said Khaled Nuseibeh, who heads mobile data and broadband marketing for Zain in Jordan.

“There are a lot of threats coming from companies that are providing free services such as Skype and Google,” he accepted. A new operator in any market has to take that into account, providing services that are similar to the free offerings, but offer more value. “But customers still see that as a priced service versus a free service and it’s not easy to compete,” said Nuseibeh.

Stonham noted at the end of the conference that “global over-the-top application providers — like Skype, Google, Facebook and others — present both a threat and an opportunity for the telecoms industry”, but he said that operators “should learn from the OTT applications and provide better quality services under their own brands. The power of the telecom brand should not be overlooked.”

Nuseibeh and other speakers at the event agreed. “Our brand is local and we understand the needs and can tailor services” for customers. “We can counter services from the free players. We have to try to bundle services.” For example, mobile voice over IP “can be bundled with the other services that the customers are looking for”.

#### Customer satisfaction

Türk Telecom’s Öztelcan reinforced the point: “We believe that by offering better value for money is the key.” And “customer satisfaction is the core of everything we do”.

Brand is vital, said Öztelcan. “Brand is what the customer recognizes first.” A company such as Türk Telecom gives customers “a sense of reliability”, he noted. “If you satisfy the customers’ needs and they associate that with your brand, that’s the ultimate goal.”

Voice over IP is going to be an essential part of the offering of every operator in the market, he said. “The new technologies such as VoIP and high definition voice are going to be the key differentiators,” he added.

“Mobile VoIP has been growing at an exponential rate and it will continue to grow.” Any operator that wants to continue in the market needs to be able to offer an affordable service, he said.

The conference was also attended by senior executives from Smartworld, Moldcell, Nobel Telecom, Kazak Telecom and Batelco, as well as other companies, who took part in open discussions about strategies and issues, allowing the attendees to identify areas of collaboration and corporation to solve common challenges and further their corporate goals across their territories and beyond.

“The event presented the opportunity for leaders from the telco and ICT industries to discuss the possible convergence between both industries to deliver innovative added value services and products to the end users,” said Iyad Hindiyeh, the COO of Dubai-based Smartworld.

His colleague, CTO Mustafa Kaddoura, explained that Smartworld offers end-to-end managed services “which is increasingly relevant for telecom operators who in a competitive business environment are looking to offer more value added services to their business customers given the commoditisation of voice revenues”. He added: “We see great potential in partnering with telecom firms from across the region as they strive to move up the value chain to bolster their competitive advantages.”

Stonham summarised the event by pointing out that “technology is rapidly becoming more powerful and more complicated. However the successful services are those which hide this complexity from the users. Users don’t care about the technology: they want something that is easy and fun to use.”

His final lesson was: “Don’t try and launch new services too quickly, too broadly. Focus on well defined subgroups with clear requirements and grow from there.”

Vladimir Butenko, CEO of CommuniGate Systems, added: “Today’s telecommunications industry continues to change at an unprecedented pace. Executives need to find ways to collaborate quicker, easier and more efficiently than ever before.” ■